CORPORATE INCOME TAXATION ACT

Effective from 01.01.2007

Prom. SG. 105/22 Dec 2006, amend. SG. 52/29 Jun 2007, amend. SG. 108/19 Dec 2007, amend. SG. 110/21 Dec 2007, amend. SG. 32/25 Mar 2008, amend. SG. 69/5 Aug 2008, amend. SG. 106/12 Dec 2008, amend. SG. 32/28 Apr 2009, amend. SG. 35/12 May 2009, amend. SG. 95/1 Dec 2009, amend. SG. 94/30 Nov 2010, amend. SG. 19/8 Mar 2011, amend. SG. 31/15 Apr 2011, amend. SG. 35/3 May 2011, amend. SG. 51/5 Jul 2011, amend. SG. 77/4 Oct 2011, amend. SG. 99/16 Dec 2011, amend. SG. 40/29 May 2012, amend. SG. 94/30 Nov 2012, amend. SG. 15/15 Feb 2013, suppl. SG. 16/19 Feb 2013, amend. SG. 23 /8 Mar 2013, amend. SG. 68/2 Aug 2013, suppl. SG. 91/18 Oct 2013, amend. SG. 100/19 Nov 2013, amend. SG. 109/20 Dec 2013, amend. SG. 1/3 Jan 2014, amend. and suppl. SG. 105/19 Dec 2014, suppl. SG. 107 /24 Dec 2014, amend. SG. 12/13 Feb 2015, amend. and suppl. SG. 22/24 Mar 2015, amend. SG. 35/15 May 2015, amend. SG. 79/13 Oct 2015, amend. and suppl. SG. 95/8 Dec 2015, suppl. SG. 32/22 Apr 2016, amend. SG. 74/20 Sep 2016, amend. and suppl. SG. 75/27 Sep 2016, amend. and suppl. SG. 97/6 Dec 2016, amend. SG. 58/18 Jul 2017, amend. SG. 85/24 Oct 2017, amend. SG. 92/17 Nov 2017, amend. SG. 97/5 Dec 2017, suppl. SG. 103/28 Dec 2017, amend. SG. 15/16 Feb 2018, suppl. SG. 91/2 Nov 2018, amend. and suppl. SG. 98/27 Nov 2018, amend. SG. 102/11 Dec 2018, amend. SG. 103/13 Dec 2018, amend. SG. 105 /18 Dec 2018, amend. SG. 24/22 Mar 2019, amend. and suppl. SG. 64/13 Aug 2019, amend. and suppl. SG. 96/6 Dec 2019, amend. SG. 101/27 Dec 2019, amend. SG. 102/31 Dec 2019, amend. and suppl. SG. 18/28 Feb 2020, amend. and suppl. SG. 38/24 Apr 2020, amend. and suppl. SG. 69/4 Aug 2020, amend. and suppl. SG. 104/8 Dec 2020, amend. SG. 107/18 Dec 2020, amend. SG. 110/29 Dec 2020, amend. and suppl. SG. 14/17 Feb 2021, amend. SG. 21/12 Mar 2021, amend. SG. 8/28 Jan 2022, amend. and suppl. SG. 14/18 Feb 2022, amend. SG. 17/1 Mar 2022, amend. SG. 25/29 Mar 2022, suppl. SG. 51/1 Jul 2022

Part one.
GENERALITIES

Chapter one.
GENERAL PROVISIONS

Objects of taxation

Art. 1. This Act shall regulate the taxation of:

1. the profit of local legal entities;

2. the profit of those legal entities which are not traders, including the religious organizations, this profit being derived from transactions under **Art. 1 of the Commerce Act**, or from leasing movable or immovable property;

3. (suppl. – SG 95/09, in force from 01.01.2010) foreign legal entities' profit derived from a location of business activity within the Republic of Bulgaria or from administration of property in such a location of business activity;

4. local and foreign legal entities' income specified in this Act where the income originates from a

source within the Republic of Bulgaria;

5. those expenses which are specified in **Part Four**;

6. (amend. – SG 1/14, in force from 01.01.2014) the activity of organizers of gambling games set out in the law;

7. the income from transactions under **Art. 1 of the Commerce Act**, and the income from leasing movable or immovable property to State-budget enterprises;

8. the activity of vessel operation on the part of persons performing maritime commercial navigation;

9 (new – SG, 105/2014, in force from 1. 1. 2015) the additional costs of the MPs.

Taxable persons

Art. 2. (1) Taxable persons shall be the following ones:

1. local legal entities;

2. (suppl. - SG 95/09, in force from 01.01.2010) those foreign legal entities which carry out business activities within the Republic of Bulgaria through a location of business activity, carry out administration of property in such a location of business activity or receive income from a source within the Republic of Bulgaria;

3. (suppl. – SG 31/11, in force from 01.01.2011; amend. – SG, 12/2015*) sole proprietors as well as natural persons registered as tobacco producers and farmers, who calculate their taxable income pursuant to **Art. 26 of the Income Taxes on Natural Persons Act** – regarding the taxes withheld at the source, and the cases specified in the **Income Taxes on Natural Persons Act**;

4. natural persons-traders within the meaning of **Art. 1, para. 3** of the Commerce Act – in the cases specified in the Income Taxes on Natural Persons Act;

5. the employers and the assignors under management and supervision contracts – regarding the tax on social expenses, provided for in **Part Four**;

6. (new – SG, 105/2014, in force from 1. 1. 2015) The National Assembly of the Republic of Bulgaria – for the tax on the additional costs of the MPs.

(2) For the purposes of this Act the unincorporated companies and the insurance funds established under **Art. 8** of the Social Insurance Code shall be treated as legal entities.

(3) For the purposes of taxation of income from a source within the Republic of Bulgaria, any foreign formation which is organisationally and economically autonomous (such as a trust, a fund and the like) which carries out business activities on its own or makes and manages investments and the owner of the income is impossible to identify, shall be a taxable person.

(4) (New - SG 14/22, in force from 01.01.2022) When one or more foreign entities that are affiliated companies and in total directly or indirectly hold 50 per cent or more of the voting rights, shared capital or the right to share in the profits founded or established in the country hybrid entity, which is not a taxable person within the meaning of para. 1 and 2 are located in a jurisdiction or jurisdictions that consider the hybrid entity to be a taxable person in the Republic of Bulgaria then this hybrid entity is equated to a legal entity for the purposes of the Act. The profits and income of the hybrid entity under sentence one shall be taxed in accordance with the law, insofar as they are not taxed in any other way in the country or in accordance with the legislation of another jurisdiction.

(5) (New - SG 14/22, in force from 01.01.2022) Para. 4 shall not apply to a collective investment scheme. For the purposes of sentence one, a collective investment scheme is an investment fund or scheme that simultaneously meets the following conditions:

1. have multiple owners;

2. have a diversified portfolio of securities;

3. are subject to regulations for investor protection.

Local legal entities

Art. 3. (1) Local legal entities shall be the following ones:

1. legal entities established under Bulgarian law;

2. companies established under Regulation (ЕС) No. 2157/2001 of the Council, and cooperative societies established under Regulation (ЕС) No. 1435/2003 of the Council where they have their registered office within the country and are entered in a Bulgarian register.

(2) Local legal entities shall be taxed with taxes under this Act on their profit and income from all sources within the Republic of Bulgaria and abroad.

Foreign legal entities

Art. 4. (1) Foreign legal entities shall be those which are not local ones.

(2) (amend. - SG 95/09, in force from 01.01.2010) Foreign legal entities shall be taxed with taxes under this Act on their profit realized through a location of business activity within the Republic of Bulgaria, or from administration of property in such a location of business activity, as well as on the income specified in this Act from a source within the Republic of Bulgaria.

Types of taxes

Art. 5. (1) Profits shall be taxed with corporate tax.

(2) Local and foreign legal entities' income specified in this Act shall be taxed with taxes withheld at the source.

(3) The expenses specified in this Act shall be taxed with tax on expenses.

(4) Instead of corporate tax, alternative tax shall apply to:

1. (amend. – SG 1/14, in force from 01.01.2014) the activity of organizing gambling games provided for in the law;

2. the income from transactions under **Art. 1 of the Commerce Act**, and the income from leasing movable or immovable property to State-budget enterprises;

3. the activity of vessel operation.

(5) (New - SG 32/16, in force from 01.01.2017) The activity of persons under **Art. 2, par. 1, items 1 and 2** on taxi transport of passengers shall be taxed with taxes on taxi transport of passengers pursuant to the **Local Taxes and Fees Act**. For all other activities, such persons shall be taxed under this act.

Determining the amount of tax

Art. 6. The amount of tax shall be determined by way of multiplying the basis of taxation by the tax rate.

Tax returns and annual business reports (Title amended - SG 38/20, in force from 01.01.2022)

Art. 7. (1) (prev. text of art. 7 – SG 97/16, in force from 01.01.2018) The standard forms of the tax returns and the other documents under this Act shall be approved by way of an Ordinance of the Minister of Finance and shall be promulgated in the State Gazette.

(2) (new – SG 97/16, in force from 01.01.2017) Filing declarations of a standard form according to this Act shall be done electronically.

(3) (new – SG 38/20, in force from 01.01.2022) Annual business reports shall be submitted electronically in the manner and in accordance with **Art. 20, para. 5** of the Statistics Act.

Paying the taxes

Art. 8. (1) (amend. – SG, 105/14, in force from 1. 1. 2015) The taxes due under this Act by the taxable persons shall be paid to the State Budget.

(2) The taxes due shall be paid to the Central Budget by crediting the account of the territorial directorate of the National Revenue Agency either by registration of the taxable person or by the place in which the taxable person must have registered.

(3) (amend. – SG, 105/14, in force from 1. 1. 2015) The taxes due shall be regarded as paid on the date on which the amount enters the State Budget as an amount credited to the account of the respective territorial directorate of the National Revenue Agency.

Interest on delayed payment

Art. 9. As for those taxes which have not been paid in due time, including the advance contributions, interest shall be due in accordance with the **Interest on Taxes, Fees and Other Similar State Receivables Act**.

Documentary grounds

Art. 10. (1) The accounting expenses shall be recognized for tax purposes where they are grounded on a primary accounting document within the meaning of the Accountancy Act, this document presenting fairly the business operation.

(2) The accounting expenses shall also be recognized for tax purposes where a part of the primary document’s information required under the **Accountancy Act** is missing, provided that there are documents available which certify the missing information.

(3) (amend. – SG, N95/2015, in force from 1. 1. 2016) Apart from the cases under para. 2, the accounting expenses shall also be recognized where the primary accounting document is issued by a person that is not an establishment within the meaning of **Art. 2, of the Accountancy Act** and a part of the primary document’s information required under the Accountancy Act is missing, provided that the document presents fairly the business operation documented.

(4) (amend. – SG 23/13, in force from 08.03.2013) The taxable persons shall be obligated to get registered and to report the sales they have made, as well as the services they have provided, by way of issuing a fiscal cash-register slip from a fiscal device (fiscal receipt) or by way of issuing a cash slip through an integrated business management system (system receipt) in accordance with the procedure set forth in an Ordinance of the Minister of Finance, except where the payment is made through the bank or by way of a set-off. The absence of a fiscal cash-register slip from a fiscal device or of a cash slip from an integrated business management system, where the issue of such is obligatory, shall form grounds for non-recognition of the accounting expenses for tax purposes.

(5) As for the international air transport, the accounting expense shall be documentarily grounded where it is documented by way of a primary accounting document and the boarding pass for the respective flight. Where the primary accounting document (record) is issued by a person who has performed the sale on behalf of and at the account of the carrier, the said person is assumed to be the issuer of the document.

(6) (new – SG 110/07, in force from 01.01.2008; suppl. – SG 23/13, in force from 08.03.2013; amend. – SG 75/16, in force from 01.01.2016) Documentary proof for the expenses under **Art. 204, par. 1,**

item 1, which have been levied an expenses tax, shall be deemed available also where they have been documented only in a fiscal receipt from a fiscal device or in a cash slip from an integrated business management system. The costs associated with the operation of vehicles, which are used both for business and for private use, shall be recognised for tax purposes and when a waybill has not been issued or other similar document, where determination of the tax base for taxation of expenditures under art. 204, para. 1, item 4 the provision of **art. 215a, para. 2, item 2** is applied.

Expenses which a statutory instrument defines as mandatory

Art. 11. Those expenses which a statutory instrument defines as being mandatory shall be recognized for tax purposes and shall not be taxed with tax on expenses, unless this Act provides otherwise.

Tax treatment of operating leases, under International Accounting Standards, for lessees

Art. 11a. (New – SG 98/18, in force from 01.01.2019) (1) The accounted expenses and revenues in respect of operating leases under International Accounting Standards, in the case of lessees, shall not be recognized as tax purposes. Any assets with a right of use in connection with operating leases, under International Accounting Standards, recognized by lessees shall not be tax amortizable assets.

(2) As tax purposes shall be recognized the expenses and revenues determined in accordance with the Accounting Standard 17-"Leasing" in respect of the operating leases, attached to the respective operating leases under Para. 1. The sums referred to in the preceding sentence shall be treated as accounting expenses and revenue for the purposes of this Act.

(3) (New - SG 14/22, in force from 18.02.2022) Accounting expenses, income, gains and losses in connection with leaseback agreements classified as operating leases according to International Accounting Standards in the case of sellers-lessees shall not be recognized for tax purposes. Assets with a right of use in connection with sales contracts with leaseback classified as operating leases according to International Accounting Standards recognized as sellers-lessees are not tax depreciable assets.

(4) (New - SG 14/22, in force from 18.02.2022) For tax purposes shall be recognized expenses, income, profit and loss in accordance with the rules of Accounting Standard 17 "Leasing" in respect of contracts for sale with leaseback, classified as operating lease, attached to the respective contracts under para. 3. The amounts under sentence one are treated as accounting expenses, income, profits and losses for the purposes of the Act.

(5) (New - SG 14/22, in force from 18.02.2022) Para. 1 and 2 shall not apply to contracts under para. 3.

Chapter two.
SOURCES OF PROFIT AND INCOME

Profit and income from sources within the Republic of Bulgaria

Art. 12. (1) (amend. - SG 95/09, in force from 01.01.2010) Foreign legal entities’ profit originating either from business activity performed through a certain location of business activity inside the territory of the Republic of Bulgaria or from disposal of the property of such a location of business activity shall be income from a source within the country.

(2) The income from financial assets issued by local legal entities, the State and the municipalities shall be income from a source within the country.

(3) The income originating from transactions in financial assets under para. 2 shall be income from

a source within the country.

(4) The income from dividends and liquidation shares in local legal entities shall be income from a source within the country.

(5) The following types of income assessed by local legal entities, local sole proprietors or foreign legal entities and sole proprietors through a location of business activity or an establishment within the country, or paid by local natural persons or foreign natural persons, having an establishment within the country, in favour of foreign legal entities, shall be income from a source within the country:

1. interest, including interest comprised in financial leasing contributions;
2. income originating from rent or any other granting of the use of movable property;
3. author's and licence remuneration;
4. remuneration for technical services;
5. remuneration under franchising contracts and factoring contracts;
6. remuneration under contracts for management and supervision of a Bulgarian legal entity.

(6) (amend. – SG 110/07, in force from 01.01.2008) The income referred to in para. 5 assessed to foreign legal entities through a location of business activity of a local person or through an establishment of local natural persons, the said location or establishment being outside the country, shall not be income from a source within the country.

(7) The income originating from agriculture, forestry, game husbandry and fish industry inside the territory of the country shall be income from a source within the country.

(8) (amend. – SG 94/10, in force from 01.01.2011) The following income shall be deemed to be from a source within the country:

1. income from renting or other grant of use pertaining to immovable property, including ideal share of immovable property located within the country;
2. income from disposal of immovable property, including ideal shares thereof or limited property rights thereupon, that is located within the country.

(9) (new – SG 94/10, in force from 01.01.2011; amend. – SG 1/14, in force from 01.01.2014) Penalties and damages of any kind, except for benefits under insurance contracts charged by local legal persons, local sole-entrepreneurs or foreign legal persons or sole-entrepreneurs through a place of economic activity or certain base in the country in favour of foreign legal persons established in jurisdictions of preferential tax regimes shall be deemed to be income from a source within the country.

(10) (prev. text of Para 09 – SG 94/10, in force from 01.01.2011) When determining the source of income under this Art. the place in which the income is paid shall not be taken into consideration.

Chapter three.
INTERNATIONAL TAXATION

International treaties

Art. 13. In those cases in which an international treaty ratified by the Republic of Bulgaria, which has been promulgated and has taken effect, contains provisions that differ from the provisions of this Act, it is the provisions of the respective international treaty that shall apply.

Tax input regarding tax paid abroad

Art. 14. (1) In those cases in which the provisions of an international treaty under **Art. 13** do not apply, the taxable persons shall be entitled to recognition of tax input in accordance with the conditions and the procedure set forth in this Act.

(2) When determining the corporate tax or the alternative taxes referred to in this Act, the taxable persons shall be entitled to the recognition of tax input regarding any tax which is similar to the corporate one or has been levied instead of it and has been paid abroad.

(3) The taxable persons shall be entitled to the recognition of tax input for the tax levied abroad on the gross amount of dividends, interest, author's and licence remuneration, remuneration for technical services and rent.

(4) The tax input referred to in paras. 2 and 3 shall be determined separately per each State and per each type of income and shall be limited to the amount of the Bulgarian tax on the said profit or income.

Chapter four.
PREVENTION OF TAX EVASION

Transactions involving related persons

Art. 15. (amend. - SG 95/09, in force from 01.01.2010) Where related persons perform their commercial and financial relationships under conditions influencing the amount of the taxable basis, these conditions differing from those between unrelated persons, the taxable basis shall be determined and taxed under those conditions which would be present for unrelated persons.

Tax evasion

Art. 16. (1) (amend. - SG 95/09, in force from 01.01.2010) Where one or more transactions, including those between unrelated persons, have been effected under conditions the fulfilment of which brings about tax evasion, the taxable basis shall be determined without taking into consideration the said transactions, or certain conditions thereof, or the legal form thereof, and what is taken into consideration shall be the taxable basis that would have been achieved if a customary transaction of the respective type has taken place, at the market prices, this transaction being aimed at achieving the same economic result, without bringing about tax evasion.

(2) The following shall also be regarded as tax evasion:

1. considerable excess of the quantities of materials and raw stuff used in manufacture or an excess of other manufacturing expenses in comparison with the usual ones used by the person in the activity he/she carries out, providing that the excess is not due to objective reasons;

2. the contracts for interest-free loans or other gratuitous granting of the use of tangible or intangible assets;

3. receipt or provision of credits at an interest rate which differs from the market rate at the time the transaction takes place, including the cases of interest-free loans or other gratuitous temporary financial aid, and remission of credits or repayment of credits at one's own account, these credits not being connected with the activity;

4. (amend. – SG 94/10, in force from 01.01.2011) accrual of remuneration or compensation for services that have not been provided.

(3) In those cases where a simulated transaction covers another transaction, the tax liability shall be determined under the conditions of the covert transaction.

Transfers connected with the location of the business activity

Art. 17. (Repealed, - SG, 96/19, in force from 01.01.2020)

Part two.
CORPORATE TAX

Chapter five.
GENERAL PROVISIONS

Tax financial result

Art. 18. (1) (amend. – SG 110/07, in force from 01.01.2008) Tax financial result shall be the accounting financial result transformed in accordance with the procedure set forth in this Act.

(2) The positive tax financial result shall be the tax profit.

(3) The negative tax financial result shall be the tax loss.

Basis of taxation

Art. 19. The basis of taxation for determining the corporate tax shall be the tax profit.

Tax rate

Art. 20. The tax rate of the corporate tax shall be 10 percent.

Tax period

Art. 21. (1) The tax period for determining the corporate tax shall be the calendar year, unless this Act provides otherwise.

(2) As for the newly established taxable persons, the tax period thereof shall be the period from the date they were established until the end of the year, unless this Act provides otherwise.

Chapter six.
GENERAL PROVISIONS REGARDING THE TAX FINANCIAL RESULT

Determining the tax financial result

Art. 22. (amend. – SG 110/07, in force from 01.01.2008) The tax financial result shall be determined by way of transforming the accounting financial result in accordance with the procedure set forth in this Act, considering:

1. the tax permanent differences;
2. the tax temporary differences;
3. (amend. - SG 95/09, in force from 01.01.2010) other amounts in cases provided for in this Act.

Tax permanent differences and the use thereof in the transformation of the accounting financial result

Art. 23. (1) Tax permanent differences shall be those accounting receipts or expenses which are not

recognized for tax purposes.

(2) When determining the tax financial result, if this Act provides that:

1. certain expenses (losses) are not recognized for tax purposes, the accounting financial result for the year of accounting the expenses (losses) shall be increased by the said expenses (losses), and the subsequent years' accounting financial results shall not be transformed;

2. certain receipts (profits) are not recognized for tax purposes, the accounting financial result for the year of accounting the receipts (profits) shall be decreased by the said receipts (profits), and the subsequent years' accounting financial results shall not be transformed.

Tax temporary differences and the use thereof in the transformation of the accounting financial result

Art. 24. (1) Tax temporary differences arise where certain receipts or expenses are recognized for tax purposes during a year which is not the year of their accounting.

(2) Tax temporary difference shall be:

1. certain expenses that have not been recognized for tax purposes during the year of their accounting, and shall be recognized during the subsequent years when the conditions for their recognition under this Part are fulfilled;

2. certain receipts that have not been recognized for tax purposes during the year of their accounting, and shall be recognized during the subsequent years when the conditions for their recognition under this Part are fulfilled.

(3) (Amend. – SG, 96/19, in force from 01.01.2020) Tax temporary differences also arise in the cases of:

1. transformation of companies and cooperative societies in accordance with the procedure set forth in **Chapter Nineteen**.

2. transfer of assets/activities under **Chapter Twenty**.

(4) When determining the tax financial result, if this Act provides that:

1. certain expenses (losses), which are not recognized for tax purposes in the year of their accounting, shall be recognized in the subsequent years when the conditions for their recognition under this Part are fulfilled:

a) the accounting financial result for the year of accounting the said expenses (losses) shall be increased by the said expenses (losses) – occurrence of a tax temporary difference;

b) the accounting financial result for the year of fulfilment of the conditions for their recognition under this Part shall be decreased by the said expenses (losses) – reverse manifestation of the tax temporary difference;

2. certain receipts (profits), which are not recognized for tax purposes in the year of their accounting, shall be recognized in the subsequent years when the conditions for their recognition under this Part are fulfilled:

a) the accounting financial result for the year of accounting said receipts (profits) shall be decreased by the said receipts (profits) – occurrence of a tax temporary difference;

b) the accounting financial result for the year of fulfilment of the conditions for their recognition under this Part shall be decreased by the said receipts (profits) – reverse manifestation of the tax temporary difference.

(5) (New, SG, 96/19, effective from 01.01.2020) For the purposes of determining the tax financial result, when a tax temporary difference, related to an asset has been formed in accordance with Chapter Twenty, in the year on the disposal of the asset, the accounting financial result shall be:

1. decreased by the amount of the tax temporary difference, when it is formed as a result of exceeding the market price of the asset over:

a) the value for tax purposes of the asset - for a tax temporary difference, formed in accordance with Art. 155a, Para. 4, item 2 and Art. 155b, Para. 5, item 2;

b) the accounting value of the asset - for a tax temporary difference, formed in accordance with Art. 155e, Para. 3;

c) the market price of the asset at the time of the previous transfer from the country - for a tax temporary difference, formed in accordance with Art. 155e, Para. 4;

2. increased by the amount of the tax temporary difference, when it is formed as a result of the market price of the asset being lower than:

a) the value for tax purposes of the asset - for a tax temporary difference, formed in accordance with Art. 155a, Para. 4, item 2 and Art. 155b, para. 5, item 2;

b) the accounting value of the asset - for a tax temporary difference, formed in accordance with Art. 155e, Para. 3;

c) the market price of the asset at the time of the previous transfer from the country - for a tax temporary difference, formed in accordance with Art. 155e, Para. 4.

(6) (New, SG, 96/19, effective from 01.01.2020). For the purposes of determining the tax financial result, when a tax temporary difference, related to a liability is formed in accordance with Art. 155b, Para. 5, item 3, in the year the liability is written off, the accounting financial result shall be:

1. decreased by the amount of the tax temporary difference, when it is formed as a result of exceeding the value for tax purposes of the liability above its market price;

2. increased by the amount of the tax temporary difference, when it is formed as a result of exceeding the market price of the liability over its value for tax purposes.

Receipts and expenses recognized for tax purposes

Art. 25. When determining the tax financial result, if this Act provides that certain receipts (expenses) or profits (losses) have been recognized for tax purposes in the year of their accounting, neither the accounting financial result for the current year, nor the one for the subsequent years shall be transformed therewith.

Chapter seven.
TAX PERMANENT DIFFERENCES

Expenses unrecognized for tax purposes

Art. 26. The following accounting expenses shall not be recognized for tax purposes:

1. expenses that are not connected with the activity;

2. (suppl. - SG 95/09, in force from 01.01.2010) receipts that have originated in connection with expenses that are unrecognized for tax purposes under Art. 26, item 3, 4, 5, 8 and 10 up to the amount of the unrecognized expenses;

3. expenses of the tax charged or the tax input used in accordance with the **Value Added Tax Act** in those cases where the expenses of the business operation relating to the value added tax have not been recognized for tax purposes;

4. (amend. – SG 110/07, in force from 01.01.2008) expenses accounted by a supplier under the Value Added Tax Act in respect of a value added tax levied by him or by the revenue authority for a completed delivery, except the tax levied in case of gratuitous deliveries and deliveries in connection with deregistration under the Value Added Tax Act; this Item shall not apply to expenses accounted in result of a taxation credit correction under the **Value Added Tax Act**;

5. (amend. – SG 110/07, in force from 01.01.2008) subsequent expenses accounted for in connection with a receivable that has occurred as a result of the tax charged or the tax input used under items 3, 4, 8 and 10;

6. (suppl. – SG 94/12, in force from 01.01.2013) expenses of fines, confiscations, including under **Art. 307a of the Penal Code**, and other sanctions imposed in connection with violation of statutory instruments, and interest on delayed payments for public liabilities or municipal ones;

7. expenses of donations except for those specified in **Art. 31**;

8. expenses of a tax which is subject to being withheld at the source and is at the account of the payer of the income;

9. those expenses of salary in the commercial companies having over 50 percent of State or municipal participation which exceed the expenses fixed in the statutory instruments;

10. (new – SG 110/07, in force from 01.01.2008) expenses accounted during realization of responsibility for due and not deposited value added tax in the cases of **Art. 177 of the Value Added Tax Act**;

11. (new – SG 110/07, in force from 01.01.2008) expenses, representing hidden distribution of revenue;

12. (new – SG 94/12, in force from 01.01.2013) expenses for bribery and/or hiding the bribery of an official or a foreign person in charge of a public duty.

Receipts unrecognized for tax purposes

Art. 27. (1) The following accounting receipts shall not be recognized for tax purposes:

1. (suppl. – SG 69/08, in force from 01.01.2009; amend. – SG 106/08, in force from 01.01.2009) receipts resulting from the distribution of dividends of local legal entities and of foreign persons, who are local persons for taxation purposes of a Member State of the European Union or of another state – party to the Agreement on European Economic Area;

2. (amend. – SG 94/12, in force from 01.01.2013) receipts that have originated in connection with expenses that are unrecognized for tax purposes under **Art. 26, Items 3, 4, 5, 6, 8 and 10** up to the amount of the unrecognized expenses;

3. receipts originating from interest on public liabilities that have been unduly paid or collected, as well as from interest on value added tax charged by State or municipal bodies where the said tax has not been refunded in due time.

(2) Para. 1, item 1 shall not apply:

1. (amend. - SG 21/21, suppl. - SG 51/22) to receipts resulting from the distribution of dividends of licensed companies having a special investment objective under the Act on Special Purpose Investment Companies and Securitization Companies;

2. in the cases of covert distribution of profit;

3. (new – SG, 95/2015, in force from 1. 1. 2016) for accrued revenues as a result of distribution of sums, as far as these sums have been acknowledged for taxation purposes, costs and/or lead to decreasing of the taxation financial result of the distribution person, notwithstanding of the way of their accounting in this person.

Unrecognized expenses of missing assets and waste of assets

Art. 28. (1) The accounting expenses of missing fixed and current assets shall not be recognized for tax purposes, with the exception of the ones resulting from force majeure.

(2) The accounting expenses of missing material inventories and waste thereof shall not be recognized for tax purposes.

(3) Para. 2 shall not apply in those cases where the expenses are caused by:

1. force majeure;

2. technological waste or change in the physical and chemical properties, the waste or change being established by way of a statutory instrument or the company's standards (if there is no such statutory instrument), and providing that the amount thereof is in accordance with the usual one for the respective activity;

3. an expiry of the term of validity under a statutory instrument or the company's standards (if there is no such statutory instrument), and providing that the amount thereof is in accordance with the usual one for the respective activity;

4. (new – SG 110/07, in force from 01.01.2008) deficit of goods, resulting of the commercial activity in sites, where the clients have direct physical access to the offered goods, amounting to 0,25 percent of the amount of the net income from sales of the commercial site in question.

(4) (amend. - SG 97/17, in force from 01.01.2018) The expenses of the tax referred to in **Art. 79, para. 1 of the Value Added Tax Act** on assets that are unrecognized ones under paras. 1 through 3 shall not be recognized for tax purposes.

(5) The subsequent accounting expenses accounted for in connection with a receivable that has occurred as a result of missing assets or waste of assets that are unrecognized ones under paras. 1 through 4 shall not be recognized for tax purposes.

Unrecognized receipts originating in connection with missing assets or waste of assets

Art. 29. The accounting receipts that have originated in connection with missing assets or waste of assets or a receivable connected therewith, shall not be recognized for tax purposes up to the amount of the unrecognized expenses referred to in **Art. 28**.

Recognition of a part of the non-distributable expenses of not-for-profit legal entities

Art. 30. (1) The non-distributable expenses of not-for-profit legal entities which have been accounted for and comply with the activity subject to taxation with corporate tax shall not be recognized for tax purposes.

(2) A part of the non-distributable expenses shall be recognized for tax purposes, this part being equal to the product of the multiplication of the non-distributable expenses by the ratio of the operating receipts from the activity subject to taxation with corporate tax to all the receipts of the not-for-profit legal entity.

Expenses of donations

Art. 31. (1) The accounting expenses of donation not exceeding 10 percent of the positive financial result (profit before taxation) shall be recognized for tax purposes in those cases where the donations have been made in favour of:

1. healthcare establishments and medical treatment establishments;

2. (amend. - SG 51/11р amend. - SG 24/19, in force from 01.07.2020, amend. on entry into force - SG 101/19) social or integrated health and social services for residential care under the Social Services Act, and the Social Support Agency, and the Social Protection Fund with the Minister of Labour and Social Policy;

3. (suppl. – SG 106/08, in force from 01.01.2009; amend. - SG 79/15, in force from 01.08.2016, revoked - SG 24/19, in force from 01.01.2020)

4. public nurseries, kindergartens, schools, higher schools and academies;

5. State-budget enterprises within the meaning of the **Accountancy Act**;

6. religions registered within the country;

7. (amend. – SG 105/18, in force from 01.01.2019) specialized enterprises or cooperative societies of disabled persons, which are entered in the Register referred to in Art. 83 of the Persons with Disabilities Act, and the ones in favour of the disabled Persons Agency;

8. disabled persons, and technical relief devices for them;

9. (amend. - SG 35/09, in force from 12.05.2009) persons who have suffered damage in disastrous situations within the meaning of the **Disaster Protection Act**, or the families thereof;

10. the Bulgarian Red Cross;

11. low-income persons;

12. disabled children or children who have no parents;

13. cultural institutions, or for the purpose of cultural, educational or scientific exchange under an international treaty, the Republic of Bulgaria being a party thereto;

14. (amend. – SG 74/2016, in force from 01.01.2018) not-for-profit legal entities with public benefit statute, with the exception of those organizations which support culture within the meaning of the **Arts Patronage Act**;

15. (amend. – SG 32/09, in force from 01.01.2010; revoked – SG 68/13, in force from 01.01.2014)

16. (suppl. – SG 35/11, in force from 03.05.2011) the Power Efficiency and Renewable Sources Fund;

17. communes for treatment of drug addicts, as well as in favour of drug addicts for the purpose of their medical treatment;

18. (new – SG 106/08, in force from 01.01.2009) the United Nations Children's Fund (UNICEF);

19. (new - SG 91/18, in force from 03.05.2019) social enterprises entered in the Register of Social Enterprises to carry out their social activities and / or to achieve their social goals.

(2) (suppl. - SG 95/09, in force from 01.01.2010; amend. – SG 99/11, in force from 01.01.2012; amend. – SG 97/16, in force from 01.01.2017, amend. - SG 102/18, in force from 01.01.2019) The accounting expenses of donations in favour of the National Health Insurance Fund - for activities related to the treatment of children funded by transfers from the budget of the Ministry of Health and Centre for Assisted Reproduction, amounting to up to 50 percent of the profit before taxation shall be recognized for tax purposes.

(3) The aid provided freely under the conditions and in accordance with the procedure set forth in the Arts **Patronage Act** amounting to up to 15 percent of the profit before taxation shall be recognized for tax purposes.

(4) The expenses of donations of computers and their peripheral devices manufactured within one year prior to the date of donation, the latter being made in favour of Bulgarian schools, including higher-education ones, shall be recognized for tax purposes.

(5) The total amount of donation expenses recognized for tax purposes under paras. 1 through 4 may not exceed 65 percent of the accounting profit.

(6) The total expense of donation shall be unrecognized for tax purposes in those cases where those managers who grant it or those managers who dispose of it benefit from it, either directly or indirectly, or evidence is present showing that the donation has not been received.

(7) (new – SG 32/09, in force from 01.01.2010) Paragraphs 1 through 6 may also apply to donations provided to persons identical to the ones specified in paras 1 through 4 or similar to them, who are citizens of or established in another Member State of the European Union, or a state – party to the Agreement on the European Economic Area, provided that the person who made the donation, has an official legalized document, certifying the status of the person receiving the donation, issued or verified by a competent authority of the respective foreign country, along with a translation in Bulgarian language, carried out by a certified translator.

Expenses of founding a taxable person

Art. 32. (1) As for the taxable persons-founders, the accounting expenses of founding a legal entity shall not be recognized for tax purposes. The unrecognized expenses shall be recognized for tax purposes when determining the tax financial result of a newly established legal entity for the year of its establishment.

(2) The expenses referred to in para. 1 shall be recognized as the founders' expenses for tax purposes if circumstances occur determining that no new legal entity shall be established. The expenses shall be recognized for the year in which the circumstances occur, providing that the requirements of this Act are fulfilled.

Tax treatment of income and expenditure, profit and loss, reported by a monitoring associate in a jointly monitored enterprise (New - SG 95/09, in force from 01.01.2010)

Art. 32a. (new- SG 95/09, in force from 01.01.2010) Bok income and expenditures, profit and loss, reported by a monitoring associate in a jointly monitored enterprise as a result of application of the proportional consolidation method shall not be recognized, where the jointly monitored enterprise is a taxable person.

Expenses of natural persons' travelling and sojourn

Art. 33. (amend. – SG 110/07, in force from 01.01.2007) (1) The following accounting expenses for travelling and sojourn of natural persons shall be recognized for taxation purposes, where the travelling and sojourn are connected with the activity of the taxable person:

1. the expenses for travelling and sojourn of natural persons in employment relationship with the taxable person or hired by him under non-employment relationship, including managers, members of managing and control bodies of a taxable person;

2. the expenses incurred by a sole entrepreneur for travelling and sojourn of;

a) a natural person – owner of the undertaking of the sole entrepreneur, and

b) persons in employment relationship with the taxable person or hired by him under non-employment relationship.

(2) The accounting expenses for travelling and sojourn of shareholders or partners shall not be recognized for taxation purposes, where they travel and sojourn in their capacity of shareholders and partners.

Costs for repair of elements of technical infrastructure - public state or public municipal ownership

Art. 33a. (New, SG, 96/19, effective from 01.01.2020) (1) Recognized for tax purposes shall be the expenses for the repair of elements of technical infrastructure, which by law are public state or public municipal ownership and are related to the activity of the taxable person, including if the elements of the technical infrastructure are accessible for use by other entities.

(2) In cases, where for repair under Para. 1 remuneration is agreed, including when the remuneration is determined in whole or in part in goods or services, the general order of the Act shall apply.

Chapter eight.

TAX TEMPORARY DIFFERENCES

Non-recognition of receipts and expenses of subsequent appraisals (reappraisals and devaluations)

Art. 34. (1) (suppl. – SG 106/08, in force from 01.01.2009) The receipts and expenses of subsequent appraisals of assets and liabilities shall not be recognized for tax purposes in the year of their accounting. The income and expenses of subsequent assessments of receivables and expenses from deletion of non-collectable receivables shall not be recognized for tax purposes in the year of their accounting, provided that none of the circumstances referred to in **Art. 37** has occurred in the same or the preceding year.

(2) Para. 1 shall not apply to accounting receipts and expenses of subsequent appraisals of pecuniary items in foreign currency at the fixing rate of the Bulgarian National Bank.

Recognition of receipts and expenses of subsequent appraisals (reappraisals and devaluations)

Art. 35. (1) Those receipts and expenses of subsequent appraisals which are unrecognized for tax purposes under Art. 34 shall be recognized for tax purposes in the year of the write-off of the respective asset or liability.

(2) Where the value of the material inventories of a specific type written off during the current year exceeds the value of the material inventories of the said type as at 31 December of the previous year, the unrecognized receipts and expenses under **Art. 34** of this type of material inventories in the previous years shall be recognized for tax purposes in the current year.

(3) Paras. 1 and 2 shall not apply in the cases of missing assets or waste of assets that have not been recognized for tax purposes in accordance with the procedure set forth in **Art. 28**.

Receipts and expenses of initial recognition and subsequent appraisal of biological products and agricultural (farming) products

Art. 36. (1) The excess of the receipts (profits) of initial recognition and subsequent appraisal of biological products and agricultural (farming) products over the expenses accounted for in connection with the said assets shall not be recognized for tax purposes in the year in which these receipts and expenses are accounted for. The excess of the receipts referred to in the first sentence shall be recognized for tax purposes in the year of the write-off of the respective asset.

(2) The excess of the expenses, accounted for in connection with biological products and agricultural (farming) products, over the receipts (profits) of initial recognition and subsequent appraisal of the said assets shall not be recognized for tax purposes in the year in which these receipts and expenses are accounted for. The excess of the expenses referred to in the first sentence shall be recognized for tax purposes in the year of the write-off of the respective asset.

(3) The provisions of **Art. 34** and **35** shall not apply to biological or agricultural products.

Recognition of receipts and expenses of subsequent appraisals of receivables

Art. 37.(1) (suppl. – SG 106/08, in force from 01.01.2009; previous text of Art. 37, amend. – SG 100/13, in force from 01.01.2014) Those receipts and expenses of subsequent appraisals and deletion of

receivables under **Art. 34** shall be recognized for tax purposes not earlier than in the year in which any of the following circumstances is present:

1. (amend. – SG 100/13, in force from 01.01.2014) expiry of 3 years – for receivables of 3-years limitation period, respectively expire of 5 years for the receivables of 5-years limitation period from the moment where this receivable became executable;

2. transfer of the receivable for consideration;

3. the debtor's bankruptcy proceedings have been suspended with an approved rehabilitation plan, which provides for incomplete satisfaction of the taxable person; the unrecognized receipts and expenses shall be recognized for tax purposes only with regard to the decrease of the receivable;

4. an effective decision of the Court lays down that the receivable or a part thereof is not due; the unrecognized receipts and expenses shall be recognized for tax purposes only with regard to the undue part of the receivable;

5.(amend. – SG 100/13, in force from 01.01.2014) prior to the expiry of the respective period as per Item 1, the receivables has been extinguished by virtue of law;

6. where the debtor is struck off and the receivable or a part thereof has remained unsatisfied, the recognition is up to the amount of the unsatisfied part.

(2) (new – SG 100/13, in force from 01.01.2014) In the cases, where before the circumstance envisaged in Para 1 occurs, the receivable is executed, including, but not only, by way of collection or compensation, the unrecognised for the taxation purposes inflows and expenses from subsequent appraisals under **Art. 34** shall be recognises for taxation purposes in the year of execution.

Provisions for liabilities

Art. 38. (1) The expenses of provisions for liabilities shall not be recognized for tax purposes in the year in which they are accounted for.

(2) The unrecognized expenses of provisions under para. 1 shall be recognized for tax purposes in the year of extinguishment of the liability for which the provision is recognized, up to the amount of the extinguished liability.

(3) (amend. – SG 110/07, in force from 01.01.2008) Where the taxation financial result is being determined, the accounting financial result shall be reduced by the accounting income, respectively the amount of reduction of the accounting expenses, accounted in relation to a recognized provision.

Provisions which are not included in the tax amortizable value of a tax amortizable asset

Art. 39. (1) When determining the tax financial result, the accounting financial result shall be decreased by the extinguished liabilities connected with provisions which are not included in the tax amortizable value of a tax amortizable asset under **Art. 53, para. 1**. The decrease under the first sentence shall be made in the year in which the liability is extinguished.

(2) (amend. – SG 110/07, in force from 01.01.2008) Where the taxation financial result is being determined, the accounting financial result shall be reduced by the accounting income, respectively the amount of reduction of the accounting expenses, accounted in relation to a recognized provision.

Specific procedure for the recognition of expenses of provisions for liabilities in the cases of termination of the activity

Art. 40. (1) A taxable person that has applied **Art. 38, para. 1** or **Art. 53, para. 1**, and totally terminates his basic activity in the year of extinguishment of the liabilities for which the provision

unrecognized for tax purposes is charged, shall not apply the provisions of **Art. 38, para. 2** or **Art. 39, para. 1** and shall be entitled to withholding or refund of the overpaid corporate tax determined in accordance with the procedure set forth in para. 2.

(2) The overpaid corporate tax shall be determined as the product of the multiplication of the extinguished part of the liabilities for which the provision unrecognized for tax purposes is charged by the tax rate of the corporate tax for the year of extinguishment of the liabilities. For the purposes of the first sentence, the extinguished part of the liabilities may not exceed the aggregate of the tax financial results for the 10 years preceding the year of termination of the activity.

Unused leave of absence

Art. 41. (1) The expenses regarding the accumulated unused (compensable) leave of absence as at 31 December of the current year, as well as the expenses connected therewith regarding mandatory social and health insurance shall not be recognized for tax purposes in the year in which they are accounted for.

(2) The unrecognized expenses regarding the accumulated unused (compensable) leave of absence referred to in para. 1 shall be recognized for tax purposes in the year in which the absence of leave is actually paid to the personnel, up to the amount of the leave paid.

(3) The unrecognized expenses of mandatory social and health insurance referred to in para. 1 shall be recognized for tax purposes in the year in which the respective insurance contributions are made, up to the amount of the insurance contributions made.

(4) (amend. – SG 110/07, in force from 01.01.2008) Where the taxation financial result is being determined, the accounting financial result shall be reduced by the accounting income, respectively by the amount of reduction of the accounting expenses, accounted in relation to the obligations under Para 1.

(5) (new – SG 110/07, in force from 01.01.2008) Para 1 shall not apply to leaves and insurances, related thereto, the accounting of which does not lead to reduction of the accounting financial result for the year of their accounting.

(6) (new – SG 110/07, in force from 01.01.2008) Shall not be recognized for taxation purposes the expenses resulting of compensable leaves and insurances related thereto, leading to reduction of the accounting financial result in a year, other than the year of accounting the leaves and insurances, where they have not been paid by 31 December of the year of reduction of the accounting financial result. In such cases Para 2 and 3 shall apply respectively.

(7) (new – SG 110/07, in force from 01.01.2008) Para 1 – 6 shall not apply to compensable leaves and insurances related thereto, which according to the accountancy legislation have been capitalized as a part of the value of a taxation amortizable asset.

Expenses which constitute income of local natural persons

Art. 42. (1) The expenses of taxable persons which constitute income of local natural persons under the **Income Taxes on Natural Persons Act**, this income not being paid until 31 December of the current year, shall not be recognized for tax purposes in the year in which they are accounted for.

(2) Para. 1 shall not apply to those expenses which constitute:

1. (amend. – SG 100/13, in force from 01.01.2014) basic labour remuneration;

2. (new – SG 100/13, in force from 01.01.2014) additional labour remuneration determined as obligatory by virtue of a statutory instrument;

3. (new – SG 100/13, in force from 01.01.2014) compensations, defined as obligatory by virtue of a statutory instrument;

4. (previous Item 2 – SG 100/13, in force from 01.01.2014) incomes of a sole proprietor.

(3) The unrecognized expenses under para. 1 shall be recognized for tax purposes in the year in

which the income is paid, up to the amount of the income paid.

(4) (amend. – SG 110/07, in force from 01.01.2008) Where the taxation financial result is being determined, the accounting financial result shall be reduced by the accounting income, respectively by the amount of reduction of the accounting expenses, accounted in relation to the obligations for unpaid income under Para 1.

(5) (new – SG 110/07, in force from 01.01.2008) The expenses for mandatory insurance instalments related to the unrecognized expenses under Para 1 shall not be recognized for taxation purposes in the year of their accounting, where the compulsory insurance instalments have not been deposited by 31 January of the current year.

(6) (new – SG 110/07, in force from 01.01.2008) The unrecohnized expenses under Para 5 shall be recognized for taxation purposes in the year of deposit of the required mandatory insurance instalments, within the amount of the deposited insurance instalments. Where the taxation financial result is being determined, the accounting financial result shall be reduced by the accounting income, respectively by the amount of reduction of the accounting expenses, accounted in relation to obligations under Para 5.

(7) (new – SG 110/07, in force from 01.01.2008) Para 1 and 5 shall not apply to income and mandatory insurance instalments related thereto, the accounting of which does not lead to reduction of the accounting financial result for the year of their accounting.

(8) (new – SG 110/07, in force from 01.01.2008) Shall not be recognized for taxation purposes the expenses resulting of income and mandatory insurance instalments under Para 1 and 5, leading to reduction of the accounting financial result, in a year, other than the year of accounting the income and insurances, where they have not been paid by 31 December of the year of reduction of the accounting financial result. In such cases Para 3 and 6 shall apply respectively.

(9) (new – SG 110/07, in force from 01.01.2008) Para 1 – 8 shall not apply to income and insurances related thereto, which according to the accountancy legislation have been capitalized as a part of the value of a taxation amortizable asset.

Regulation of low-rate capitalization

Art. 43. (1) (Amend. – SG 98/18, in force from 01.01.2019) The interest expenses shall not be recognized for tax purposes in the year in which they are accounted for if the amount thereof has been calculated for the current year with the formula as follows:

UIE = IE - IR - 0,75 x FRPI, where:

UIE are the unrecognized interest expenses;

IE are the interest expenses determined in accordance with para. 4;

IR is the total amount of interest receipts;

FRPI is the accounting financial result prior to any interest expenses and receipts.

(2) (Amend. – SG 98/18, in force from 01.01.2019) The unrecognized interest expenses under para. 1 shall be recognized for tax purposes during the following years until the full amount thereof has been recognized. The current year amount shall be calculated with the formula as follows:

RIE = 0,75 x FRPI + IR - IE, where:

RIE are the recognized interest expenses;

FRPI is the accounting financial result prior to any interest expenses and receipts;

IR is the total amount of interest receipts;

IE are the interest expenses determined in accordance with para. 4 for the current year.

(3) (New – SG 98/18, in force from 01.01.2019) In case a taxable person applies Art. 43a for the current year, the recognized interest expense under Para. 2 shall be limited to the amount of the excess of the recognized excess of borrowing costs after the application of Art. 43a, Para. 5.

(4) (Previous Para. 3 – SG 98/18, in force from 01.01.2019) The interest expenses shall include any financial (interest) expenses accounted for in connection with financing with borrowed capital. The interest

expenses shall not include the expenses of:

1. (suppl. – SG, 96/19, in force from 01.01.2020) interest under financial leasing or bank credit, except where the parties to the transaction are related parties, or the leasing, and the credit, respectively, has been guaranteed or secured, or extended by an order of a related party; If the lease / credit is guaranteed or secured by both the lessee / borrower and a related party, interest expense shall not include the portion of interest on financial leasing / bank credit, determined as the total amount of interest on leasing interest / credit is multiplied by the ratio of the market price of the collateral, provided by the lessee / borrower, determined at the date of the security and the amount of the lease / loan, where the ratio exceeds 1, it shall be considered equal to 1. In case of a change in the volume of the security or the amount of the lease / credit, the previous sentence shall apply accordingly from the moment of the change;

2. penalty interest on delayed payments and indemnities;

3. interest that is unrecognized for tax purposes on any other legal grounds;

4. (new – SG 110/07, in force from 01.01.2008) interests and other expenses related to credits, which according to the accountancy legislation have been capitalized as a part of an asset value.

(5) (Repealed, previous Para. 4 – SG 98/18, in force from 01.01.2019) In those cases where the financial result prior to any interest expenses and receipts is a negative value, it shall not be taken into consideration when determining the amount of the unrecognized and recognized interest expenses under paras. 1 and 2.

(6) Para. 1 shall not apply where:

$$\frac{BC1 + BC2}{2} \leq 3 \times \frac{EQ1 + EQ2}{2},$$ where

BC1 is the borrowed capital as at 1 January of the current year;

BC2 is the borrowed capital as at 31 December of the current year;

EQ1 is the equity as at 1 January of the current year;

EQ2 is the equity as at 31 December of the current year.

(7) The interest expenses of the credit institutions shall not be regulated under the procedure set forth in paras. 1 through 6.

Rule for limiting interest deduction

Art. 43a. (New - SG 98/18, in force from 01.01.2019) (1) Exceeding borrowing costs for the current year shall not be recognized as tax purposes in an amount determined according to the following formula:

UEBC = EBC - 0,30 x TFRBITA, where:

UEBC is the unrecognized exceeding borrowing costs;

EBC is the exceeding borrowing costs determined by the order of Para. 2;

TFRBITA is the tax financial result before interests, taxes and depreciation, determined by the order of Para. 3.

(2) Exceeding borrowing costs shall be the sum by which the total amount of the borrowing costs referred to in Para. 4, exceeds the total amount of the interests recognized for tax purposes, representing taxable income and / or amounts that result in an increase in the tax financial result, as well as other revenues and / or amounts, economically equivalent to interests.

(3) The tax financial result before interests, taxes and depreciation for the current year shall be defined according to the following formula:

TFRBITA = TFR + TD - RI + BC, where:

The TFR is the tax financial result, formed by the general order of the law, prior to deducting tax losses and prior to the application of **Art. 43** and this Article;

TD is the total amount of annual tax depreciation;

RI is the total amount of interests recognized for tax purposes, representing revenue and / or amounts that result in an increase in the tax financial result, as well as other income or amounts economically equivalent to interests;

BC is the total amount of borrowing costs referred to in Para. 4, prior to the application of **Art. 43** and this Article.

(4) Borrowing costs for the purposes of this Article shall be the expenses and / or amounts recognized as tax purposes that result in a reduction in the tax financial result, in which:

1. are included all interest expenses on any type of debt, other costs and amounts economically equivalent to interest, and other costs and amounts incurred in connection with the raising of funds, including but not limited to:

a) payments on loans giving entitlement to a share of the profits;

b) a notional interest rate for instruments such as convertible bonds and zero coupon bonds;

c) amounts under alternative funding mechanisms;

d) interest on finance leases;

e) interest capitalized as part of the cost of a non-depreciable asset for tax purposes when disposing with that asset, the amortization of capitalized interest on a tax amortized asset or the interest included in the tax value of a tax amortized asset when disposing with that asset;

f) amounts calculated on the basis of return on financing according to the transfer pricing rules, where applicable;

g) amounts of contingent interest on derivative instruments or hedging agreements relating to financing;

h) exchange differences on loans and instruments relating to the raising of funds;

i) guarantee fees for financing;

j) fees and similar charges relating to the borrowing of funds;

2. shall not include costs and amounts of penalty interests for late payments and non-funding penalties.

(5) The unrecognized exceeding borrowing costs under Para. 1 shall be recognized for tax purposes in subsequent years until it is exhausted to the amount determined for the current year using the following formula:

REBC = 0.30 x TFRBITA + RI - BC, where:

REBC is the recognized exceeding of borrowing costs;

TFRBITA is the tax financial result before interest, taxes and depreciation, determined for the current year by the order of Para. 3;

RI is the total amount of interests recognized for tax purposes, representing revenue and / or amounts that result in an increase in the tax financial result, as well as other income or amounts economically equivalent to interest;

BC is the total amount of borrowing costs referred to in Para. 4, prior to the application of **Art. 43** and this Article.

(6) Where the tax financial result prior to interest, taxes and depreciation is a negative value, it shall not participate in determining the amount of the unrecognized and recognized excess of borrowing costs under Para. 1 and 5.

(7) Paragraph 1 shall not apply where the excess of borrowing costs determined for the current year does not exceed the BGN equivalent of EUR 3 000 000, determined at the official exchange rate of the Lev to the Euro.

(8) In cases where the excess of the borrowing costs determined for the current year exceeds the threshold under Para. 7 and **Art. 43** is not applied, it shall not be recognized for tax purposes the excess of borrowing costs in an amount equal to the excess of borrowing costs for the current year less 30 per cent of the tax financial result prior to interest, taxes and depreciation.

(9) In cases where the excess of borrowing costs determined for the current year exceeds the

threshold under Para. 7 and:

1. the unrecognized excess of borrowing costs under para. 1 is higher than the unrecognized interest expense under **Art. 43, Para. 1**, the unrecognized excess of borrowing costs under Para. 1 shall not be recognized for tax purposes; in this case, **Art. 43, Para. 1** shall not apply;

2. the unrecognized excess of borrowing costs under Para. 1 is lower than the unrecognized interest expense under **Art. 43, Para. 1**, the unrecognized excess of borrowing costs under Para. 1 and the difference between the unrecognized interest expense under **Art. 43, Para. 1** and the unrecognized excess of borrowing costs under Para. 1 shall not be recognized for tax purposes.

(10) Borrowing costs of credit institutions shall not be regulated by the order of Para. 1 to 9.

Chapter nine.
AMOUNTS INVOLVED IN DETERMINING THE TAX FINANCIAL RESULT

Securities traded in regulated markets

Art. 44. (amend. – SG 106/08, in force from 01.01.2009) In the process of determining the tax financial result the accounting financial result shall be decreased by the profit from disposal of financial instruments in the sense of **§ 1, Item 21** of the Additional Provision, determined as the positive difference between the sale price and the documented price of acquisition of the said financial instruments. The first sentence shall not apply to revenues from sources abroad for which "exemption with progression" has been stipulated as a method for avoiding double taxation in an agreement on avoidance of double taxation.

(2) In the process of determining the tax financial result the accounting financial result shall be increased by the loss from disposal of financial instruments in the sense of **§ 1, Item 21** of the Additional Provision determined as the negative difference between the sale price and the documented price of acquisition of the said financial instruments.

Reserve from subsequent appraisals of assets which are not tax amortizable assets

Art. 45. (suppl. - SG 110/07, in force from 01.01.2008) When determining the tax financial result, the accounting financial result shall be increased by the value of the written-off reserve of a subsequent appraisal (reappraisal reserve) on the write-off of assets that are not tax amortizable ones, providing that no accounting revenue or expenses are accounted for on the writing-off of the reserve. The increase is performed in the year in which the asset is written off. Where land is transformed into investment property, the increase shall be carried out in the year in which the investment property is written off.

Tax treatment of liabilities

Art. 46. (1) (amend. - SG 110/07, in force from 01.01.2008) When determining the tax financial result, the accounting financial result shall be increased by the amount of the liabilities of the taxable person, the decrease being carried out in the year in which any of the following circumstances is present:

1. (amend. – SG 100/13 in force from 01.01.2014) expiry of 3 years – for the liabilities of 3-years limitation period, respectively , expiry of five years for the liabilities of 5-years limitation period from the moment, in which the liability became executable;

2. the taxable person’s bankruptcy proceedings have been suspended with an approved rehabilitation plan, which provides for incomplete satisfaction of the creditors; the amount of the increase shall be equal to the amount of the decrease of the liability;

3. an effective decision of the Court has laid down that the liability or a part thereof is not due;

4. the creditor has waived his receivable through the Court or has remitted it; the amount of the increase shall be equal to the remitted amount;

5. (amend. – SG 100/13, in force from 01.01.2014) prior to the expiry of the respective period as defined in Item1, the liability has been extinguished by virtue of law;

6. the taxable person has filed an application for being struck off.

(2) (amend. - SG 110/07, in force from 01.01.2008) Para 1 shall not apply where in the year of occurrence of the fact referred to in Para 1 the limitation period for the obligation has expired or accounting revenue resulting from deletion of the obligation has been recorded.

(3) (new - SG 110/07, in force from 01.01.2008) Where Para 1 was applied for the preceding year, the taxation financial result for the current year shall be determined by reducing the accounting financial result by:

1. the amount of the obligation for which the limitation has expired in the current year;

2. the recorded accounting revenue during the current year resulting from deletion of the obligation.

(4) (new - SG 110/07, in force from 01.01.2008) The reduction under Para 3 shall be within the amount of the increase under Para 1 during the preceding years in respect of the obligation in question.

Tax treatment of the tax input deducted for assets available at the time of registration or repeated registration under the Value Added Tax Act

Art. 47. (1) (suppl. - SG 110/07, in force from 01.01.2008) When determining the tax financial result, the accounting financial result shall be increased by the amount of the tax input deducted by the taxable person for assets available at the time of registration or repeated registration under the **Value Added Tax Act**, where no accounting revenue has been recorded in relation to the deducted tax input.

(2) (revoked - SG 110/07, in force from 01.01.2008)

(3) (amend. - SG 110/07, in force from 01.01.2008) Para 1 shall not apply where:

1. the value added tax was not included in the historical value of the asset, or

2. the asset is not a tax amortizable asset and was deleted in the year of registration or second registration under the **Value Added Tax Act**.

(4) (new - SG 110/07, in force from 01.01.2008) In case of deletion of an asset, which is not a tax amortizable asset and to which Para 1 was not applied during the preceding year, the tax financial result for the current year shall be determined by reducing the accounting financial result with the amount of deducted tax input for the assets in question, with which the accounting financial result was increased under the order of Para 1.

Tax treatment for distribution of dividends from investments, accounted by equity method of accounting (new title - SG 95/09, in force from 01.01.2010)

Art. 47a. (new - SG 95/09, in force from 01.01.2010) (1) For determination of the tax financial result of shareholders or partners, their book financial result shall be reduced by the distributed dividends by local legal entities or by foreign persons, which are local persons for taxable purposes of an European Union Member State – a party under the European Economic Area Agreement, or of another Member State of the European Economic Area Agreement, where the investment is accounted by the equity method of accounting.

(2) For the financial institutions, the reduction referred to in par. Shall be by the distributed dividends in the year. The reduction shall be done in the year of recognition of the distributed dividends in the annual financial statement of the financial institution.

(3) For tax liability of persons, who are not financial institutions, the reduction referred to in par. 1 shall be by the distributed dividends in the period of acquisition prior to investment writing off. The

reduction shall be done in the year of investment writing off.

(4) Paragraphs 1 -3 shall not apply to:

1. dividends, distributed from profits, made prior to acquisition of the investment;

2. (amend. - SG 21/21, suppl. - SG 51/22) dividends, distributed by licensed companies with specific investment purpose as per the Act on Special Purpose Investment Companies and Securitization Companies;

3. dividends, representing a hidden distribution of profit;

4. (new – SG, 95/2015, in force from 1. 1. 2016) dividends as a result of distributed sums, as afar as these sums have been recognized for taxation purposes costs and/or lead to decreasing the taxation financial result of the distribution person, notwithstanding of the way of their accounting in this person.

Relocation of a place of business (New title - SG 95/09, in force from 01.01.2010)

Art. 47b. (new - SG 95/09, in force from 01.01.2010) (1) For determination of a taxable financial result in a place of business activity its book financial result shall be increased by the profit and shall be reduced by the loss from relocation of its place of business. Taxable temporary differences, related to the assets and liabilities of the place of business, shall be recognized for tax purposes in the year of relocation of the place of business under the general provisions of the law. For determination of the tax financial result of the place of business the provision of **Art. 66, par. 1 and 2** shall apply.

(2) The profit and loss for the purposes of par. 1 shall be determined as a difference between the selling price of the place of business and the book cost of the assets, reduced by the book cost of liabilities of the place of business as of the date of relocation.

(3) Paragraphs 1 and 2 shall not apply, where the profit and loss from relocation of the place of business have been included in calculation of the book financial result of the place of business.

Chapter nine "a".
SPECIFIC RULES FOR DETERMINING THE TAX FINANCIAL RESULT IN CASES OF CONTROLLED FOREIGN COMPANIES (NEW - SG 98 OF 2018, IN FORCE FROM 01.01.2019)

Controlled Foreign Company

Art. 47c. (New - SG 98/18, in force from 01.01.2019) (1) A controlled foreign company is a foreign entity or a permanent establishment abroad whose profits are not subject to taxation or are exempt from taxation in the Republic of Bulgaria when the following conditions are met:

1. in the case of a foreign entity, the taxable person by itself, or together with its associated undertakings holds a direct or indirect participation of more than 50 percent of the voting rights, or owns directly or indirectly more than 50 percent of capital or is entitled to receive more than 50 percent of the profits of that entity; and

2. (suppl. – SG, 96/19, in force from 01.01.2020) the actual corporate tax paid on its profits, including through advance payments or excess corporate tax, the entity or place of business is less than the difference between the corporate tax, that would have been charged on the entity or place of business under this Act and the corporate income tax, actually paid on the entity or place of business.

(2) The amount of the indirect participation under Para. 1, item 1, which the taxable person possesses in a foreign entity, shall be defined as the sum of the participations which each of his affiliated undertakings holds directly in the foreign entity.

(3) For the purposes of Para. 1, item 2, it shall not be taken into account the permanent establishment of a controlled foreign company, which is not taxable or is exempt from tax in the state, in

which the controlled foreign company is a resident for tax purposes.

(4) (amend. - SG 64/19, in force from 13.08.2019, revoked - SG 14/22, in force from 18.02.2022)

Tax Financial Result in the case of a Controlled Foreign Company

Art. 47d. (New - SG 98/18, in force from 01.01.2019) (1) The taxable person shall increase his tax financial result for the current year with the tax profit for the same tax period of a foreign entity, which has not been distributed, or profits made by a foreign permanent establishment for the same tax period.

(2) The tax profit under Para. 1:

1. shall be determined by the order of this Act;

2. shall increase the tax financial result for the tax period of the taxable person, in which the tax period of the foreign entity ends in the cases where the tax periods are different;

3. shall increase the tax financial result proportionally to the highest of the participations of voting rights, in the capital holding or in the profits of the foreign entity, as well as in proportion to the period of the relevant tax period of the foreign entity during which the conditions for the foreign entity to be a controlled foreign company were met.

(3) (amend. and suppl. - SG 64/19, in force from 13.08.2019) In determining the tax profit under para. 2, item 1 tax loss, determined in accordance with this law in previous tax periods:

1. deducted successively, until it is exhausted in the next 5 years after its occurrence, subject to the requirements of Chapter Eleven, from the tax profits of the same controlled foreign company or from the tax profits of another controlled foreign company in the same foreign country from which it arises

2. it is not deducted from the taxable profits of the taxable person from a source in the country or other countries.

(4) Where a foreign entity distributes a profit which is subject to taxation to the taxable person, the tax financial result of the said taxable person shall be reduced by the profit which, under Para. 1, has increased the tax financial result of the taxable person for the previous year. The reduction shall be up to the amount of the distributed profit, but not more than the amount of the profit, which on the grounds of Para. 1 has increased the tax financial result for the past year.

(5) Where a taxable person realizes income subject to taxation, from disposition of his participation in a foreign entity or with business activity carried out through a permanent establishment abroad, the tax financial result of the taxable person for the current year shall be reduced by the amount of the profits from the foreign entity, which on the grounds of Para. 1 has increased the tax financial result of the taxable person for the previous year, and for which Para. 4 has not been applied, up to the amount of the income from the disposition.

(6) The taxable person shall be entitled to a tax credit for the tax paid by a controlled foreign company abroad in respect of profits which, on the grounds of Para. 1 are included in the tax financial result of the taxable person. The tax credit shall be determined by the order of **Art. 14, Para. 4**.

(7) (suppl. - SG 64/19, in force from 13.08.2019) Paragraph 1 shall not apply when a controlled foreign company carries out substantial economic activity with the help of necessary for the activity concerned personnel, equipment, assets and/or premises, which is to be proved by the taxable person through the relevant facts and circumstances.

(8) In determining the tax financial result of a controlled foreign company under this Act, the accounting financial result of a controlled foreign company shall be determined in accordance with the accounting standards applicable by the taxpayer.

Registry of Controlled Foreign Companies

Art. 47e. (New - SG 98/18, in force from 01.01.2019) (1) The taxable person shall keep a register

of the controlled foreign companies, which is to contain data for at least:

1. the amount of the participations under **Art. 47c, Para. 1, item 1**, including their change within the tax period;

2. the amount of the profits of a foreign entity, which is non-distributed, respectively the profits of a permanent establishment, determined by the order of this Act and which, on the grounds of **Art. 47d, Para. 1** have increased the tax financial result of the taxpayer for each tax period;

3. the amount of the loss determined by the order of this Act for the current and past years in connection with the application of **Art. 47d, Para. 3**;

4. the amount of the tax financial result for the respective tax period determined pursuant to this Act, as well as the corporation tax actually paid on profits from a controlled foreign company in the country where the foreign entity is a resident for tax purposes or in which the permanent establishment is situated;

5. the date of distribution of profits by a controlled foreign company, date of disposition with participation or business activity, as well as the amount of distributed profit, respectively amount of proceeds from disposition;

6. other information necessary to determine the tax financial result of the taxable person in the cases of a controlled foreign company.

(2) The taxable person shall submit the register under Para. 1 at the request of the revenue authorities of the National Revenue Agency.

Chapter nine "b".
SPECIFIC RULES FOR DETERMINING TAX FINANCIAL RESULTS IN CASES OF HYBRID NON-CONFORMITY AND OF NON-CONFORMITY WITH A TAXABLE PERSON, WHO IS A LOCAL PERSON FOR TAX PURPOSES OF MORE THAN ONE JURISDICTION (NEW, SG, 96/19, IN FORCE FROM 01.01.2020)

Hybrid non-conformity

Art. 47f. (New, SG, 96/19, effective from 01.01.2020) (1) A hybrid non-conformity shall exist in cases where:

1. payment on financial instrument results in deduction without inclusion and:

a) the same payment is not included in the tax financial result of the recipient in the tax period, beginning within 12 months from the end of the payer's tax period, and

b) non-compliance is due to differences in the qualification of the instrument or payments under the instrument, according to the legislation of the jurisdictions of the payer and the recipient;

2. payment to a hybrid entity results in deductions without inclusion and the non-compliance results from differences in determining the receiver of payment between the law of the jurisdiction, in which the hybrid entity is incorporated or registered and the jurisdiction of any person, participating in that hybrid entity;

3. payment to an entity with one or more economic activities results in deductions without inclusion and the non-compliance is the result of differences in the laws of the jurisdictions in which the entity operates, in determining the recipient of the payment between the head office of the entity and the place of business or between two or more places of business of the same entity;

4. payment for a non-taxable place of business results in a deduction without inclusion;

5. payment by a hybrid entity results in deductions without inclusion as a result of non-recognition for tax purposes of payment under the law of the jurisdiction of the recipient;

6. a contingent payment between the head office of an entity and its place of business or between two or more places of business of the same entity results in deductions without inclusion, as a result of non-recognition for tax purposes of the payment under the law of the jurisdiction of the recipient;

7. leads to double deduction.

(2) A payment, representing the basic return on a transferred financial instrument shall not lead to a hybrid non-compliance under Para. 1, item 1, when made by a financial trader in connection with a market hybrid transfer and under the law of the jurisdiction of the payer, the financial trader shall include in his tax financial result all amounts, received in connection with the transferred financial instrument.

(3) Hybrid non-compliance, according to Para. 1, items 5 - 7, insofar as the law of the jurisdiction of the payer permits deduction against an income, which is not dually included income.

(4) Non-conformity shall be treated as a hybrid non-conformity only when it arises between a taxable person and his affiliated undertaking, among other affiliated undertakings, between the central management of an entity and its place of business, between two or more places of business in the same entity or under a structured arrangement.

Accounting expenses and amounts, related to hybrid noncompliance payments, not recognized for tax purposes

Art. 47g. (New, SG, 96/19, effective from 01.01.2020) The accounting expenses shall not be recognized for tax purposes, but the amounts increase the accounting financial result in determining the tax financial result, insofar as the accounting expenses and amounts, related to hybrid non-compliance payments:

1. result in double deduction, except in the case of double included income in the current or subsequent tax period, where the taxable person:

a) is investor;

b) is payer and the deduction has not been denied in the jurisdiction of the investor;

2. leads to deduction without inclusion, when the taxable person is a payer;

3. directly or indirectly finance deductible expense, resulting in hybrid noncompliance, resulting from a transaction or series of transactions between related undertakings, or as part of a structured arrangement, unless an equivalent adjustment has been made under the law of any of the jurisdictions, involved in the transaction or in the series of transactions, but only up to the amount of the adjustment.

Accounting revenue and amounts, leading to an increase in the accounting financial result, relating to hybrid noncompliance payments

Art. 47h. (New, SG, 96/19, effective from 01.01.2020) (1) When a taxable person is the recipient of a payment in the case of a hybrid non-compliance, resulting in a deduction without inclusion, the amount of the payment shall be recognized for tax purposes, either as accounting revenue, recognized for tax purposes, or as an amount, that increases the accounting financial result, in determining the tax financial result, to the extent, that it is deducted in the jurisdiction payer.

(2) Para. 1 shall not apply in the cases of Art. 47f, Para. 1, items 2 - 4 and 6.

(3) To the extent, that a hybrid noncompliance involves the income of a non-taxable place of business, that is not taxable in the country, in determining the tax financial result, the accounting financial result of the taxable person shall increase with the amount of income, attributable to the non-recognized for tax purposes place of business. The first sentence shall apply, if the income is not exempt from taxation by virtue of a double taxation agreement with a third country.

Tax credit for withholding tax on the hybrid transfer payment source

Art. 47i. (New, SG, 96/19, effective from 01.01.2020) A taxable person shall be entitled, in proportion to the net taxable income on payment, to a tax credit for withholding tax at the source of payment, related to the hybrid transfer, in which more than one of the transferring parties has been entitled to a tax credit for the same tax.

Noncompliance with a taxable person, who is a local person for tax purposes in more than one jurisdiction

Art. 47j. (New, SG, 96/19, effective from 01.01.2020) (1) Insofar as amounts, related to the payment, expenses or losses of a taxable person, local person for tax purposes and of another jurisdiction, lead to a decrease in the tax financial result and in the other jurisdiction, they are not recognized for tax purposes, insofar as the law of the other jurisdiction allows them to be deducted against income, that is not double-income.

(2) In the cases of Para. 1, where the other jurisdiction is a Member State of the European Union, payments, expenses or losses shall not be recognized for tax purposes if the taxable person is a local person in the other Member State by virtue of an agreement for avoiding double taxation

Chapter ten.
TAX AMORTIZABLE ASSETS

Tax amortizable assets

Art. 48. Tax amortizable assets shall be the following ones:

1. tax fixed tangible assets;
2. tax fixed intangible assets;
3. investment property, with the exception of land;
4. subsequent expenses referred to in **Art. 64**.
5. (new – SG, 96/19, in force from 01.01.2020) the expenses for construction or improvement of elements of technical infrastructure, which by virtue of an Act are public state or public municipal property under Art. 69a, Para. 3.

Goodwill

Art. 49. (1) The goodwill resulting from a business combination shall not constitute tax amortizable asset.

(2) The loss resulting from devaluation and the loss in goodwill shall not be recognized for tax purposes.

Tax fixed tangible assets

Art. 50. (1) (amend. – SG 97/16, in force from 01.01.2017, previous text of Art. 50 - SG 98/18, in force from 01.01.2019) Tax fixed tangible assets shall be those amounts which meet the requirements regarding amortizable fixed tangible assets specified in the National Accounting Standards, and the value of the said assets either equals or exceeds the lower value of the following:

1. the value threshold of significance of the fixed tangible asset specified in the accounting policy of the taxable person;
2. (amend. - SG 110/07, in force from 01.01.2008) seven hundred BGN.

(2) (New - SG 98/18, in force from 01.01.2019) Taxable fixed tangible assets shall also be the depreciable assets with right of use in connection with financial leasing contracts in accordance with the International Accounting Standards, recognized by lessees.

Tax fixed intangible assets

Art. 51. (1) Tax fixed intangible assets shall be:

1. those acquired non-financial resources which:

a) have no physical substance;

b) are used for a period longer than 12 months;

c) have a limited useful-life period;

d) have a value that either equals or exceeds the lower value of the following ones:

aa) the value threshold of significance of the fixed intangible asset specified in the accounting policy of the taxable person;

bb) (amend. - SG 110/07, in force from 01.01.2008) seven hundred BGN;

2. (revoked - SG 110/07, in force from 01.01.2008)

3. the amounts charged as a result of business operations bringing about an increase of the economic benefit from leased fixed assets or assets the use of which has been granted; these amounts do not form tax fixed tangible asset.

(2) Those accounting expenses which have been accounted for in connection with the acquisition of a tax fixed intangible asset prior to the coming into existence of the asset shall not be recognized for tax purposes in the year in which they are accounted for and shall be taken into consideration when determining the tax amortizable value of the asset. In those cases where in the course of the subsequent year circumstances are present evidencing that the taxable person shall not acquire the tax fixed intangible asset, the unrecognized expenses under the first sentence shall be recognized for tax purposes in the year in which the said circumstances are present, providing that the requirements of this Act are fulfilled.

Tax amortization plan

Art. 52. (1) The taxable persons forming a tax financial result shall draw and implement a tax amortization plan, and shall record therein all the tax amortizable assets.

(2) The tax amortization plan shall be a tax register containing the information specified in the requirements of this Chapter on the process of acquisition, subsequent implementation, amortization and write-off of tax amortizable assets.

(3) The tax amortization plan shall contain at least the following information regarding each of the tax amortizable assets:

1. designation;

2. month of putting the asset into operation;

3. tax amortizable value;

4. tax amortization charged;

5. tax value;

6. annual tax amortization rate;

7. annual tax amortization;

8. month of introducing changes in the value of the asset and the circumstances necessitating those changes;

9. month of suspension and resumption of the charging of tax amortizations and the circumstances necessitating it;

10. month of the write-off of the asset under **Art. 60, para. 3** for accounting purposes and the circumstances necessitating it;

11. month of the write-off of the asset from the tax amortization plan.

Value of the tax amortizable assets

Art. 53. (1) (Amend. – SG, 96/19, in force from 01.01.2020) The tax amortizable value shall be the

historical value of the asset, decreased by the charged provisions and donations it comprises, the latter being connected with the asset. In the cases referred to in **Art. 64, Para. 1** and **Art. 67** and **Art. 69a, Para. 3**, the tax amortizable value shall be the aggregate of:

1. the subsequent expenses – in the cases referred to in **Art. 64, para. 1**;

2. those expenses that have not been recognized for tax purposes – in the cases referred to in **Art. 67** and **Art. 69a, Para. 3**.

(2) The annual tax amortization shall be the amortization charged under the tax amortization plan for the respective year in accordance with the requirements set forth in this Chapter.

(3) The tax amortization charged shall be the aggregate of the annual tax amortizations charged with regard to the respective asset. The tax amortization charged may not exceed the tax amortizable value of the asset.

(4) The tax value shall be the tax amortizable value of the asset decreased by the tax amortization charged for it.

Tax and accounting amortizations

Art. 54. (1) When determining the tax financial result, the annual tax amortizations determined in accordance with the procedure set forth in this Chapter shall be recognized for tax purposes.

(2) (suppl. - SG 110/07, in force from 01.01.2008) The accounting amortization expenses shall not be recognized for tax purposes. Where determining the tax financial result, the accounting financial result shall be increased by the accounting amortizations, regardless of whether their accounting leads to reduction of the accounting financial result for the year of their accounting.

Categories of tax amortizable assets

Art. 55. (1) When determining the annual tax amortizations, the tax amortizable assets shall be distributed in the following categories:

1. Category I – solid-structured buildings, including investment property, equipment, power transmission devices, communication lines;

2. Category II – machinery, production equipment, apparatuses;

3. Category III – means of transportation, with the exception of motor vehicles; pavement of roads and runways;

4. (suppl. - SG 110/07, in force from 01.01.2008) Category IV – computers, peripheral devices for computers, software and the right to software use, mobile phones;

5. Category V – motor vehicles;

6. Category VI – those tax fixed tangible and intangible assets the term of use of which is limited under contractual relationships or a legal obligation;

7. Category VII – all other amortizable assets.

(2) The annual tax amortization rate shall be determined as a fixed rate for the year and shall not exceed the following amounts:

Category of assets	Annual tax amortization rate (%)
Category I	4
Category II	30
Category III	10
Category IV	50

Category V	25
Category VI	100/years of the legal limitation The annual rate may not exceed 33 1/3
Category VII	15

(3) As for the assets of the Category II, the annual tax amortization rate may not exceed 50 percent in those cases where all of the following conditions are present:

1. the assets form part of the initial investment;

2. the assets are brand-new ones and have not been used prior to their acquisition.

(4) (revoked - SG 110/07, in force from 01.01.2008)

(5) (new - SG 110/07, in force from 01.01.2008) The acquisition of assets by conclusion of a leasing contract, classified as financial leasing according to the accountancy legislation, shall not serve as grounds for submission the assets in question under category VI.

(6) (new - SG 106/08, in force from 01.01.2009; amend. - SG 35/15, in force from 15.05.2015) Item 1 of Para 3 shall not apply, when the assets under Para 3 have been acquired in relation to an investment for increasing the energy efficiency, where voluntary agreements under the order of Chapter Five, Section II of the revoked **Energy Efficiency Act** (prom., SG 98 from 2008; amend. - SG 6, 19, 42 and 82 from 2009, SG 15, 52 and 97 from 2010, SG 35 from 2011, SG 38 from 2012, SG 15, 24, 59 and 66 from 2013, SG 22, 33 and 98 from 2014 and SG 14 from 2015) have been concluded.

(7) (New - SG 104/20, in force from 01.01.2021) For the following assets of category IV the annual tax depreciation rate may not exceed 100 percent:

1. software or right to use software included in the list under Art. 118, para. 16 of the Value Added Tax Act;

2. computers, peripheral devices for them or mobile telephones, on which software, installed in the list under **Art. 118, para. 16** of the Value Added Tax Act.

General procedure for recording the assets in a tax amortization plan

Art. 56. The tax amortizable assets shall be recorded in the tax amortization plan with their tax amortizable values.

Specific procedure for recording the assets in a tax amortization plan

Art. 57. (1) A person that has his taxation regime altered, and as a result thereof an obligation arises for him to form a tax financial result, shall draw a tax amortization plan and shall record therein the available tax amortizable assets with their tax amortizable value and the tax amortization charged in accordance with the procedure set forth in paras. 2 and 3.

(2) The tax amortizable value of an asset under para. 1 shall be determined by way of:

1. increasing its historical value by those subsequent expenses made until that time which bring about future economic advantages relating to the asset, according to the accounting legislation, and

2. decreasing its historical value by the charged provisions and donations it comprises, the latter being connected with the asset.

(3) The tax amortization of an asset charged under para. 1 shall be the accounting amortization that would have been charged on the historical value of the asset until that time, revised in accordance with the procedure set forth in para. 2.

(4) When drawing the tax amortization plan, the assets for which the charged tax amortization

equals or exceeds their tax amortizable value shall not be recorded in the plan.

(5) Paras. 1 through 4 shall not apply in those cases in which an asset is repeatedly recorded in the tax amortization plan.

Charging of tax amortizations

Art. 58. (1) (suppl. - SG 110/07, in force from 01.01.2008) The charging of a tax amortization commences from the beginning of the month in the course of which the tax amortizable asset is put into operation or from the beginning of the following month. The date on which the asset is put into operation must be evidenced by way of a document.

(2) In those cases where a statutory instrument provides for a procedure for putting the asset into operation, the asset may not be put into operation for tax purposes earlier than the time specified in the statutory instrument.

(3) The annual tax amortization shall be calculated using the following formula:

ATA = TAV x ATAR x M/12, where:

ATA is the annual tax amortization;

TAV is the tax amortizable value;

ATAR is the annual tax amortization rate determined by the taxable person in accordance with **Art. 55, paras. 2 and 3**;

M is the number of months in the year during which tax amortization is charged.

Suspension of the charging of tax amortization

Art. 59. (amend. - SG 110/07, in force from 01.01.2008) (1) The charging of tax amortization shall be suspended in those cases where the respective asset is temporarily out of use (it does not provide economic benefit) for a period which is longer than twelve months. The charging shall be suspended from the beginning of the month following the month of expiration of the term referred to in the first sentence, and shall be resumed at the beginning of the month in which the asset is put into operation again. The tax amortizable asset shall not be written off from the tax amortization plan.

(2) The tax financial result for the year of expiration of the twelve month term referred to in Para 1 shall be determined by reducing the annual tax amortization of the taxable person by the amount of the accrued tax amortization of the asset during the twelve months in which the asset has remained unused. The amount of the reduction referred to in the first sentence shall be used to correct the tax amortizable asset by the date of discontinuing the accrual of the tax amortization as follows:

1. the accrued tax amortization of the asset is reduced;

2. the tax value of the asset is increased.

(3) Any taxable person under liquidation or insolvency proceedings shall discontinue the accrual of tax amortizations of the assets, for which the accrual of accounting amortizations is discontinued according to the accounting legislation. By the date of discontinuance of the accrual of the tax amortization **Art. 60, Para 5** shall apply respectively.

(4) The charging of tax amortizations for the assets under **Art. 60, para. 3** shall not be suspended.

Write-off of assets from the tax amortization plan

Art. 60. (1) The asset is written of from the tax amortization plan when it has been totally amortized for tax purposes.

(2) Where an asset is written off for tax purposes prior to being totally amortized for tax purposes,

it shall be written off from the tax amortization plan at the beginning of the month in which it is written off for tax purposes.

(3) Para. 2 shall not apply to the write-off of assets where:

1. (amend. - SG 110/07, in force from 01.01.2008) completely deprecated for account purposes;

2. the assets are written off as a result of an increase of the value threshold of significance.

(4) The assets referred to in para. 3 shall be written off from the tax amortization plan in accordance with the procedure set forth in para. 1.

(5) (suppl. - SG 110/07, in force from 01.01.2008; amend. – SG 97/16, in force from 01.01.2017) In those cases where an amortizable asset under the National Accounting Standards is transformed into a non-amortizable one, except for the transformation into investment property, the said asset shall be written off from the tax amortization plan from the beginning of the current month. The first sentence shall not apply to completely depreciated assets for account purposes and to assets, which remain temporarily unused (not economically profitable).

(6) Where the tax amortizable asset is no more used for an activity for which tax financial result is formed, the said asset shall be written off from the tax amortization plan from the beginning of the current month.

Preserving the values of the tax amortizable asset

Art. 61. (1) (Previous text of Art. 61 - SG 98/18, in force from 01.01.2019) The values of the tax depreciable asset shall not change with:

1. subsequent accounting valuation (revaluation and impairment);

2. changes in accounting policies, including changes in applicable accounting standards;

3. (revoked - SG 94/10, in force from 01.01.2011)

4. registration or re-registration under the **Value Added Tax Act**.

(2) (New - SG 98/18, in force from 01.01.2019) The restriction under Para. 1, item 1 shall not be applied in a subsequent assessment of taxable fixed tangible assets under **Art. 50, Para. 2**, which is due to a revaluation of the finance lease liability.

Changing the value of the tax amortizable asset

Art. 62. (1) (suppl. – SG 94/10, in force from 01.01.2011) A change in the value of the tax amortizable asset shall be made where circumstances are present necessitating a change under this Act or the accounting legislation, with the exception of the cases referred to in **Art. 61**.

(2) The change in the value of the tax amortizable asset shall be reported in the tax amortization plan as at 1 January of the year in which the circumstances necessitating the change are established. No change in the tax amortization plan is made, neither is there any revision of the tax amortization charged for the previous years.

(3) The value of the tax amortizable asset following the change must be equal to the value that would have been determined if the circumstances necessitating the change had been known in the previous years.

(4) (suppl. – SG 94/10, in force from 01.01.2011) When determining the tax financial result, the annual tax amortization of the asset for the current year shall be corrected by the difference between the tax amortization charged for the asset during the previous years and the tax amortization that would have been charged if the circumstances necessitating the change had been known in the previous years. The first sentence shall not apply, where the fact requiring changes to the asset amounts is an error.

(5) In those cases where the established circumstances do not necessitate a change in the value of the asset for the previous years, the change in the value shall be reported in the tax amortization plan at the

time the circumstance is established in the course of the current year.

Subsequent expenses relating to an asset included in the tax amortization plan

Art. 63. The tax amortizable value of an asset included in the tax amortization plan shall be increased by those subsequent expenses for which the Accountancy Act provides that they result in future economic benefits connected with the tax amortizable asset. The tax amortizable value shall be increased from the beginning of the month in which the subsequent expenses are completed.

Subsequent expenses relating to an asset which is written off from the tax amortization plan

Art. 64. (1) Where the asset has been written off from the tax amortization plan, but has not been written off for tax purposes, a separate tax amortizable value shall be recorded of those subsequent expenses for which the Accountancy Act provides that they result in future economic benefits connected with the tax amortizable asset.

(2) The tax amortizable asset referred to in para. 1 shall be recorded in the tax amortization plan from the beginning of the month in which the subsequent expenses are completed.

(3) For the purposes of **Art. 55** the tax amortizable asset shall belong to the category of the asset in connection with which the subsequent expenses are made.

(4) Where the asset in connection with which the subsequent expenses are made is written off from the tax amortization plan prior to the time the tax amortizable asset under para. 1 is completely amortized, the latter shall be written off from the tax amortization plan under the conditions and in accordance with the procedure set forth in **Art. 60**.

Receipts and expenses of subsequent appraisals of tax amortizable assets

Art. 65. The accounting receipts and expenses of subsequent appraisals of tax amortizable assets shall not be recognized for tax purposes.

Transformation of the accounting financial result upon the write-off of a tax amortizable asset

Art. 66. (1) Where an asset is written off from the accounting amortization plan, when determining the tax financial result the accounting financial result shall be increased by the accounting balance-sheet value of the asset.

(2) Where an asset is written off from the accounting amortization plan, when determining the tax financial result the accounting financial result shall be decreased by the tax value of the asset.

(3) Paras. 1 and 2 shall not apply:

1. in those cases of unrecognized expenses of missing assets and receivables relating thereto in which the tax value exceeds the accounting balance-sheet value of the asset;

2. in those cases of write-off of an asset at the account of the equity in which the tax value exceeds the accounting balance-sheet value of the asset;

3. in those cases of write-off of an asset under **Art. 60**, para. 6 in which the tax value exceeds the accounting balance-sheet value of the asset;

4. in the cases of transformation of companies and restructuring of cooperative societies under **Chapter Nineteen**, **Sections II** and **III**.

Accounting expenses forming a tax amortizable asset

Art. 67. The accounting expenses forming a tax amortizable asset, including the subsequent expenses, shall not be recognized for tax purposes.

Receipts and expenses accounted for in connection with a donation relating to a tax amortizable asset

Art. 68. The accounting receipts and expenses accounted for in connection with a donation with which the historical value of the asset was decreased in determining the tax amortizable value thereof shall not be recognized for tax purposes.

Specific tax treatment of an asset formed as a result of research and development activities

Art. 69. (1) When determining the tax financial result, the taxable person shall be entitled to decrease the accounting financial result by the historical value of a fixed intangible asset, doing so only once in the year in which it is formed, providing that all of the following conditions are present:

1. the asset has been formed as a result of research and development activities;

2. the research and development activities have been carried out in connection with the occupation of the taxable person;

3. the research and development activities have been assigned by way of an order of a scientific research institute or a higher-education institution under free-market conditions.

(2) In those cases where the taxable person has exercised his right referred to in para. 1, the fixed intangible asset under para. 1 shall not be tax amortizable asset.

Specific tax treatment of costs for the construction or improvement of elements of technical infrastructure - public state or public municipal property

Art. 69a. (New, SG,96/19, effective from 01.01.2020) (1) The accounting expenses for the construction or improvement of elements of technical infrastructure, which by law are public state or public municipal property, and are related to the activity of the taxable person, including even if the elements of the technical infrastructure are accessible for use by other entities, shall not be recognized for tax purposes.

(2) For the expenses under Para. 1, which are capitalized as part of the value of an asset or registered as a standalone asset, the procedure and requirements of this Act shall apply.

(3) The expenses under Para. 1, which are not capitalized as part of the value of an asset or are not recorded as a standalone asset, for the purposes of this Act shall be treated and recorded as a separate tax depreciable asset. The tax depreciable asset, referred to in the preceding sentence shall be recorded in the tax depreciation plan from the beginning of the month, during which the elements of the technical infrastructure have been completed. For the purposes of **Art. 55**, this tax depreciable asset shall be allocated to the category, in which it would be allocated if the asset were own and shall be written off from the tax depreciation plan under the terms and conditions of **Art. 60, Para. 1**.

(4) For subsequent expenses, which according to the accounting legislation lead to future economic benefits, related to a registered under Para. 3 separate tax depreciable asset, **Art. 63** shall apply.

(5) In cases, where for the construction or improvement of elements of technical infrastructure - public state or public municipal property, a remuneration is agreed, including when the remuneration is determined in whole or in part in goods or services, Para. 1 - 4 shall not apply and the general order of the Act shall apply.

Chapter eleven.
CARRY-FORWARD OF A TAX LOSS

General provisions

Art. 70. (1) Taxable persons shall be entitled to carry forward the tax loss formed in accordance with this Part. Where a taxable person opts for the carry-forward of a tax loss, the latter must be carried forward gradually, in the course of the 5 subsequent years, until all of it has been carried forward.

(2) The taxable person shall exercise his right to opt for deducting the tax loss in the first year, following the year in which the tax loss occurred, in which the person has formed positive tax financial result prior to deducting the tax loss. In those cases where until the tax control date the taxable person has not formed positive tax financial result prior to deducting the tax loss, it shall be considered that the person has exercised his right to carrying forward the tax loss.

Procedure for deduction

Art. 71. (1) Upon determining the tax financial result, the tax loss shall be deducted from the positive tax financial result, which is the result prior to deducting the tax loss. Where the tax loss is smaller than the positive tax financial result, when determining the tax financial result the full amount of the tax loss shall be deducted.

(2) (revoked – SG 94/12, in force from 01.01.2013)

Newly incurred tax losses

Art. 72. As for newly incurred tax losses, it is the provisions of this Chapter that shall apply, in observance of the succession of their incurrence. The five years' term for each of the newly incurred tax losses shall commence from the year which follows the year of incurrence of the respective loss.

Applying the method of "Exemption with progression" to a loss from a source abroad

Art. 73. (1) Where a tax loss is formed in the course of the current year in a State with which the Republic of Bulgaria has signed a treaty on avoidance of double taxation, and the method of avoidance of double taxation regarding profits is the "Exemption with progression" method, the loss shall not be deducted from the tax profits derived either in the current year or in the subsequent years from a source located either within the country or in other States.

(2) The tax loss referred to in para. 1 shall be deducted gradually in the course of the 5 subsequent years, in observance of the requirements of this Chapter, from the tax profits derived from the source abroad.

(3) (amend. - SG 106/08, in force from 01.01.2009) Upon suspension of the activity of a business establishment in a Member State of the European Union or the European Economic Area, those tax losses from the business establishment which have not been carried forward or recovered shall be carried forward in accordance with the general legal procedure, this being valid until the expiry of the five years' period following the incurrence thereof.

Applying the method of tax input to a loss from a source abroad

Art. 74. (1) Where a taxable person has formed a tax loss and the said loss or a part thereof is from a source abroad to which the tax input method of avoiding double taxation applies, the current year's loss that has not been deducted shall be deducted gradually in the course of the 5 subsequent years, in observance of the requirements of this Chapter, from the tax profits derived from the said source abroad.

(2) Where the tax loss for the year is formed from more than one sources (located in a foreign State or within the country), for the purposes of para. 1 it shall be distributed among the States in which it has occurred, in accordance with the formula as follows:

A = B x C/D, where:

A is the part of the taxable person's tax loss for the year, allotted to the respective source (located in a foreign State or within the country);

B is the tax loss of the taxable person for the year;

C is the tax loss formed by the respective source (located in a foreign State or within the country);

D is the aggregate of the tax losses formed by all sources (located in a foreign State or within the country).

(3) (amend. - SG 106/08, in force from 01.01.2009) Para. 1 shall not apply to losses from a source in a Member State of the European Union or the European Economic Area.

Chapter twelve.
ACCOUNTING ERRORS

Eliminating the accounting errors

Art. 75. (1) Where, in the current year, an accounting error relating to years in the past is identified, the tax financial results for the respective years in the past shall be revised in accordance with the requirements of the laws that were effective in the respective years in the past, in a way as though the error had not been committed.

(2) It is the tax rate for the respective year in the past that shall apply in determining the tax liability for the tax financial result for the respective year in the past revised in accordance with para. 1.

(3) (amend. - SG 110/07, in force from 01.01.2008; amend. – SG 94/12, in force from 01.01.2013; suppl. – SG 15/13, in force from 01.01.2013; amend. – SG 97/16, in force from 01.01.2017) In the cases under Para. 1, upon finding in the current year an accounting error related to the previous year, for which an annual tax return was submitted and the statutory deadline for submission has expired, the tax liable person may, once by the 30 September of the current year, adjust the tax financial result and the tax liability by filing a new declaration. In the other cases under Para 1, the taxable person shall notify in writing the competent revenue authority which shall undertake actions for changing the taxation financial result and the duty for the respective taxation period within 30 day-term from the receipt of the notification.

(4) (amend. – SG 94/10, in force from 01.01.2011) When an error has been found that is related to a tax amortisation asset, the values of the asset shall be amended as set out in **Art. 62**. In those cases where, as a result of the identified error, it is established that the taxable person was obliged to form a tax amortizable asset for the respective year in the past, the annual tax amortization recognized in determining the tax financial results for the preceding years shall be equal to the accounting amortization that would have been charged for the said asset for the respective years, however, this annual tax amortization may not exceed the one that would have been charged if the maximum allowed annual tax amortization rates for the relevant years had been used. The tax amortizable asset referred to in the second sentence shall be recorded in the tax amortization plan as at 1 January of the year of identifying the error, with its tax amortizable value and the tax amortization charged under the second sentence.

(5) The tax temporary difference that would have occurred in a previous year if the error had not been committed shall be regarded as occurring in the course of the respective previous year and shall be

recognized for tax purposes in accordance with the general procedure set forth in law.

(6) (amend. – SG 94/10, in force from 01.01.2011) Paras. 1 through 4 shall not apply to the tax financial result and the tax duty thereon for any past year that precedes the date of 1 January of the year of finding the error by at least 6 years.

(7) The accounting receipts and expenses accounted for in the current year in connection with the identification of an accounting error relating to years in the past shall not be recognized for tax purposes.

Specific cases of correcting of accounting errors

Art. 76. In those cases where, following the revision of the tax financial result under **Art. 75, para. 1**, a tax loss for the respective period in the past appears or changes, there shall apply the provisions of **Chapter Eleven**. The tax financial results for the years from the time the error was committed until the time it was identified shall be revised in accordance with **Art. 75** as though the error had not been committed. The year in which the error was committed shall be regarded as the year of occurrence of the tax loss.

Expenses accounted for in violation of the accounting legislation

Art. 77. (1) Those expenses which have been accounted for in violation of the accounting legislation shall not be recognized for tax purposes in the year in which they are accounted for.

(2) The expenses under para. 1 that have not been recognized for tax purposes shall be recognized for tax purposes where this Act allows it and in observance of the requirements of this Chapter.

Receipts and expenses that have not been accounted for in accordance with the procedure set forth in a statutory instrument

Art. 78. When determining the tax financial result, the accounting financial result shall be corrected by the aggregate of those receipts and expenses which, according to the requirements of a statutory instrument, should have been accounted for in the current year but were not accounted for by the taxable person. In those cases where, later on, accounting receipts and expenses are accounted for under the first sentence, they shall not be recognized for tax purposes.

Rectification of Errors other than Accounting Errors and Reflection of Adjusting Events (Title amend. – SG 94/10, in force from 01.01.2011; suppl. – SG 97/16, in force from 01.01.2017)

Art. 79. (amend. – SG 94/10, in force from 01.01.2011; suppl. – SG 97/16, in force from 01.01.2017) The provisions of this Chapter shall apply also to errors other than accounting errors, including errors in transformation of the accounting financial result for determining the tax financial result as well as adjusting events under applicable accounting standards.

Interest on delayed payment

Art. 80. Interest on delayed payment shall also be due in the cases of applying **Art. 75**. The interest shall be due from the date on which the corporate tax for the respective year in the past should have been paid.

Correction of errors identified in the course of exercising tax control

Art. 81. Except for **Art. 75, para. 3**, the provisions of this Chapter shall also apply to those errors which have been identified in the course of exercising tax control.

Chapter thirteen.
CHANGING THE ACCOUNTING POLICY

Corrections in the cases of changing the accounting policy

Art. 82. (1) In those cases where the accounting policy is changed, when determining the tax financial result the accounting financial result for the current year shall be corrected in the way and by the amounts by which the tax financial results for the previous years would have been corrected if the changed accounting policy had been applied in the said years.

(2) The tax temporary differences that have occurred due to the accounting policy applied prior to the change shall be treated as if they had not occurred.

(3) In those cases where the changed accounting policy was applied in the previous years and, as a result thereof, tax temporary differences would occur, it shall be considered that they have occurred, and they shall be recognized in accordance with the general procedure of the law.

(4) Those accounting receipts and expenses which have occurred as a result of the change in the accounting policy shall not be recognized for tax purposes.

(5) (amend. - SG 110/07, in force from 01.01.2008) Para 1 through 3 shall not apply where the change in the accounting policy concerns tax amortizable assets.

(6) No interest on delayed payment shall be due in those cases in which the change in the accounting policy brings about an increase of the tax financial result.

Chapter fourteen.
ADVANCE CONTRIBUTIONS

General provisions

Art. 83. (1) (prev. text of Art. 83 - SG 110/07, in force from 01.01.2008; suppl. – SG 94/12, in force from 01.01.2013) The taxable persons shall make monthly or quarterly advance contributions for corporate tax on tha basis of prognosis tax revenue for the current year.

(2) (new - SG 110/07, in force from 01.01.2008) Exempt from advance contributions shall be:

1. (amend. – SG 94/12, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) taxable persons, whose net income of sales for the year before the previous year does not exceed BGN 300 000;

2. (suppl. - SG 104/20, in force from 01.01.2021) newly constituted taxable persons for the year of their constitution and for next year, except those newly constituted as a result of a transformation under the **Commerce Act**.

(3) (new – SG 94/12, in force from 01.01.2013) The persons referred to in Para 2 may make quarterly advance contributions as set out in this Chapter, to which **Art. 89** shall not apply.

Monthly advance contributions

Art. 84. (amend. – SG 94/12, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) The monthly advance contributions shall be made by the taxable persons whose net income from sales for the year before the preceding year exceed BGN 3 000 000.

Quarterly advance contributions

Art. 85. The quarterly advance contributions shall be made by the taxable persons that have no obligation to make monthly advance contributions.

Determining the monthly advance contributions

Art. 86. (prev. text of Art. 86 - SG 110/07, in force from 01.01.2008; amend. – SG 94/12, in force from 01.01.2013) The monthly advance contributions shall be determined on the grounds of the following formula:

ADVMONTHLY = (PTP/12) x TR, where:

ADVMONTHLY is the monthly advance contribution;

PTP is the prognosis tax profit for the current year;

TR is the tax rate of the corporate tax.

Determining the quarterly advance contributions

Art. 87. (amend. – SG 94/12, in force from 01.01.2013) The quarterly advance contributions shall be determined on the grounds of the following formula:

ADVQUARTERLY = (PTP/4) x TR,

where:

ADVQUARTERLY is the quarterly advance contribution;

PTP is the prognosis tax profit for the current year;

TR is the tax rate of the corporate tax.

Declaring advance contributions

Art. 87a. (new – SG 94/12, in force from 01.01.2013) (1) (Amend. - SG 104/20, in force from 01.01.2021) The advance contributions for the current calendar year determined under **Art. 86** and **87** shall be declared with the sample declaration from March 1 to April 15 of the same year.

(2) The quarterly advance contributions for the current calendar year determined under **Art. 87** by a newly incorporated company resulting from a transformation shall be declared in a declaration according to a form within the time limit for making the first advance contribution following the transformation.

(3) The quarterly advance contributions for the current calendar year determined under **Art. 87** by a newly incorporated company in the cases of **Art. 83, Para 3** shall be declared in a declaration according to a form within the time limit for making the first chosen advance contribution.

Declaration for changes to the advance contributions (Title amend. – SG 94/12, in force from 01.01.2013)

Art. 88. (1) (amend. – SG 94/12, in force from 01.01.2013, suppl. - SG 104/20, in force from 01.01.2021) The taxable persons shall be entitled to file by November 15 of the respective year a

declarations of a standard form for having their advance contributions decreased or increased, in those cases where they think the advance contributions will differ from the annual corporate tax due.

(2) (suppl. – SG 94/12, in force from 01.01.2013) The decrease or increase of the advance contributions shall be enjoyed after the declaration is filed.

(3) (new – SG 94/12, in force from 01.01.2013) The declaration referred to in Para 1 shall be filed also in the cases of transformation under **Chapter Nineteen**, where the amount of the advance contributions determined by the receiving company following the transformation has changed. The declaration shall be filed within the time limit for making the first advance contribution following the transformation.

Interest in case of the annual corporate tax exceeds the determined advance contributions (Title amend. – SG 94/12, in force from 01.01.2013)

Art. 89. (1) (amend. – SG 94/12, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) Where the due annual corporate tax exceeds the amount of determined monthly advance contributions due for the respective year by more than 25 percent or where 75 percent of the due annual corporate tax exceeds the amount of the determined quarterly advance contributions for the respective year by more than 25 percent, interest shall be due for the excess above 25 percent.

(2) (amend. – SG 94/12, in force from 01.01.2013) The amount on which interest is due under para. 1 shall be determined according to the following formulas:

1. (amend. - SG 104/20, in force from 01.01.2021) for the monthly advance contributions:

A = B – (C + 0,25 C), where:

A is the amount on which interest is due;

B is the due annual corporate tax;

C is the total amount of determined monthly advance contributions for the year;

2. (amend. - SG 104/20, in force from 01.01.2021) for the quarterly advance contributions:

A = 0,75 B – (C + 0,25 C), where:

A is the amount on which interest is due;

B is the due annual corporate tax;

C is the total amount of determined quarterly advance contributions for the year;

(3) (revoked – SG 94/12, in force from 01.01.2013)

(4) (amend. – SG 94/12, in force from 01.01.2013) Within the meaning of this Art., determined advance contributions shall be:

1. the monthly advance contributions determined under Art. 86 or the quarterly advance contributions determined under **Art. 87**, for the first, second and third quarter – in respect of advance contributions before submission of the declaration for changes to the advance payments under **Art. 88**;

2. the decreased or increased monthly advance contributions or the decreased or increased quarterly advance contributions for the first, second and third quarter specified in the declaration under **Art. 88** - in respect of advance contributions following the submission of the declaration for changes under Art. 88.

(5) (suppl. – SG 94/10, in force from 01.01.2011; amend. – SG 94/12, in force from 01.01.2013) The interest referred to in para. 1 shall be determined according to the **Act on Interest on Taxes, Fees and Other Similar State Receivables** and shall be calculated from 16 April to 31 December of the respective year, and in respect of newly incorporated companies resulting from a transformation – from the date, following the date of expiration of the time limit for making the first quarterly advance contribution, to 31 December of the year of the transformation.

Payment of the advance contributions

Art. 90. (amend. – SG 94/12, in force from 01.01.2013) (1) The monthly advance contributions

shall be paid as follows:

1. for January, February and March – by 15 April of the current calendar year;

2. (amend. - SG 104/20, in force from 01.01.2021) for April until November - by the 15th day of the month they are paid for;

3. (new - SG 104/20, in force from 01.01.2021) for the month of December - by December 1 of the current calendar year.

(2) (Amend. - SG 104/20, in force from 01.01.2021) The quarterly advance contributions for the first and second quarter shall be payable until the 15th day of the month following the quarter they are paid for, and for the third quarter – by 1 December. No quarterly advance contribution is payable for the fourth quarter.

Exemption from advance contributions

Art. 91. (amend. – SG 94/12, in force from 01.01.2013, former text of Art. 91 – SG, 95/2015, in force from 1. 1. 2016) The taxable persons that are exempt from corporate tax for the current year shall also be exempt from the respective part of the advance contributions determined, the said part being in proportion to the amount of exemption.

(2) (new – SG, 95/2015, in force from 1. 1. 2016) For the year, in which an order has been received under **Art. 189, p. 1, letter "b"**, assignments of a certain part of the defined prepayments shall be carried out from the month/quarterly, following the month of issuing the order.

Specific rules for determining estimated tax profit and due annual corporate tax

Art. 91a. (New, SG, 98/18, in force from 01.01.2019, amended – SG, 96/19, in force from 01.01.2020) In determining the estimated tax profit and of the annual corporate tax due, under Art. 89, the following shall not be taken into account:

1. tax profit, derived from a controlled foreign company;

2. the part of the excess of the increases over the decreases of the accounting financial result, as a result of the transformations under Art. 155a, Para. 1 and Art. 155b, Para. 1, corresponding to the transferred assets / activity, to which the deferral under Art. 155g shall be applied.

Chapter fifteen.
DECLARING AND PAYING THE CORPORATE TAX

Declaring the corporate tax

Art. 92. (1) The taxable persons that are taxed with corporate tax shall submit an annual tax return of a standard form regarding the tax financial result and the annual corporate tax due.

(2) (Amend. - SG 104/20, in force from 01.01.2021) The annual tax return shall be submitted between March 1 and June 30 of the subsequent year with the territorial directorate of the National Revenue Agency by registration of the taxable person.

(3) (amend. - SG 95/09, in force from 01.01.2010) The annual business report shall be submitted together with the annual tax return.

(4) (amend. - SG 95/09, in force from 01.01.2010; amend. – SG 97/16, in force from 01.01.2017, amend. - SG 92/17, in force from 01.01.2018, suppl. - SG 98/18, in force from 01.01.2019) Annual tax return and annual business report shall not be submitted by taxable persons, who during the tax period have not performed an activity according to the **Accountancy Act**. An annual tax return shall be submitted when,

for the tax period during which no activity is carried out within the meaning of the Accountancy Act, a liability for corporate tax or a tax on expenses arises, and where a taxable person wishes to declare other data and circumstances provided for in the model of the declaration.

(5) (amend. - SG 95/09, in force from 01.01.2010; revoked – SG 97/16, in force from 01.01.2017)

(6) (new – SG 94/10, in force from 01.01.2011) The taxable persons shall enclose with their annual tax statement proof of the amount of taxes paid abroad. The first sentence shall not apply to profit/income from sources abroad which are exempt from double taxation by virtue of an "exemption with progression" method stipulated in an agreement for avoidance of double taxation.

(7) (new – SG 75/16, in force from 27.09.2016) A foreign legal person carrying out business in the country through a place of business, shall state in their annual tax return identification data about the owners, shareholders or partners in the foreign legal entity and the amount of their participation, where the amount of this participation is more than 10 percent.

Payment of the tax

Art. 93. (Amend. - SG 104/20, in force from 01.01.2021) After deducting the advance contributions paid for the respective year, the taxable persons shall pay the corporate tax for the respective year not later than 30 June of the subsequent year.

Overpaid tax

Art. 94. (revoked – SG 94/12, in force from 01.01.2013)

Chapter sixteen.
FINANCIAL INSTITUTIONS

Receipts and expenses determined by a regulatory body

Art. 95. In those cases where the amount of the receipts or expenses accounted for under the accounting policy of the financial institution differs from the amount determined by a regulatory body under a statutory instrument, it is the amount determined under the statutory instrument that is recognized when determining the tax financial result.

Receipts and expenses of subsequent appraisals (reappraisals and devaluations) of financial assets and liabilities (supp. - SG 95/09, in force from 01.01.2010)

Art. 96. (1) (prev. Art. 96 - SG 95/09, in force from 01.01.2010) The receipts and expenses of subsequent appraisals of financial assets and liabilities accounted for by financial institutions shall be recognized for tax purposes in the year in which they are accounted for. The financial institutions shall not apply **Art. 34**, **35** and **37** to the financial assets and liabilities.

(2) (new - SG 95/09, in force from 01.01.2010) Where income and expenditures from subsequent valuations of financial assets and liabilities have not been recognized for tax purposes in a preceding period, they shall be recognized for tax purposes pursuant to the general provisions of the law. The provision of par. 1, second sentence shall not apply to those assets and liabilities.

Subsequent appraisals of financial assets and liabilities recognized directly in the equity

Art. 97. (1) When determining the tax financial result of financial institutions, their accounting financial result shall be increased by the profits of subsequent appraisals of financial assets and liabilities recognized directly in their equity in the current year.

(2) When determining the tax financial result of financial institutions, their accounting financial result shall be decreased by the losses of subsequent appraisals of financial assets and liabilities recognized directly in their equity in the current year.

(3) (amend. - SG 110/07, in force from 01.01.2008) Profits and losses recognized during the current year in the income and expenses account (the revenue account), which have participated in estimating the tax financial result under the order of para. 1 and 2, shall not be recognized for tax purposes.

Chapter seventeen.
SPECIFIC RULES ON DETERMINING THE TAX FINANCIAL RESULT OF COOPERATIVE SOCIETIES

Production and consumer dividends

Art. 98. (1) Production dividends shall be the amounts distributed for those products which the members of the cooperative society have produced and sold to the cooperative society. These dividends shall be determined on the grounds of the profit corresponding to the products sold, including products sold after being processed.

(2) Consumer dividends shall be the amounts distributed for those consumer goods which the members of the cooperative society buy from the latter. These dividends shall be determined on the grounds of the profit resulting from the difference between the sale price at which the cooperative society has sold the goods, this price being decreased by the expenses of selling the goods, and the price which the cooperative society has paid for acquiring the goods.

Tax treatment of production and consumer dividends

Art. 99. (1) When determining the tax financial result, the accounting financial result shall be decreased by those production and consumer dividends which are paid to the members of the cooperative society prior to 25 March of the subsequent year and are covered by the balance-sheet profit. The decrease under the first sentence shall be up to the amount of the positive accounting financial result.

(2) Those production and consumer dividends which are paid to the members of the cooperative society in the course of the year shall be accounted for but shall not be considered when determining the accounting financial result.

(3) Where the cooperative society has accounted for a balance-sheet loss or a balance-sheet profit which is insufficient to cover the production and consumer dividends paid during the year, the amount of those production and consumer dividends paid during the year which are not covered shall be accounted for as accounting expense that is not recognized for tax purposes.

Chapter eighteen.
DIVIDENDS WITHIN THE EUROPEAN COMMUNITY (REVOKED – SG 69/08, IN FORCE FROM 01.01.2009)

Section I.
Definitions (revoked – SG 69/08, in force from 01.01.2009)

Another Member State company

Art. 100. (revoked – SG 69/08, in force from 01.01.2009)

Local mother company

Art. 101. (revoked – SG 69/08, in force from 01.01.2009)

Member State mother company

Art. 102. (revoked – SG 69/08, in force from 01.01.2009)

Local subsidiary company

Art. 103. (revoked – SG 69/08, in force from 01.01.2009)

Member State subsidiary company

Art. 104. (revoked – SG 69/08, in force from 01.01.2009)

Section II.
Tax Treatment of the Distribution of Dividends (revoked – SG 69/08, in force from 01.01.2009)

Dividends distributed by a Member State subsidiary company

Art. 105. (revoked – SG 69/08, in force from 01.01.2009)

Nonfulfilment of the condition for exemption from taxation

Art. 106. (revoked – SG 69/08, in force from 01.01.2009)

Unrecognized expenses relating to unrecognized receipts from dividends

Art. 107. (revoked - SG 110/07, in force from 01.01.2008)

Dividends distributed by a local subsidiary company in favour of a Member State mother company

Art. 108. (revoked – SG 69/08, in force from 01.01.2009)

Security

Art. 109. (revoked – SG 69/08, in force from 01.01.2009)

Cooperative societies

Art. 110. (revoked – SG 69/08, in force from 01.01.2009)

Tax evasion

Art. 111. (revoked – SG 69/08, in force from 01.01.2009)

Chapter nineteen.
TRANSFORMATION OF COMPANIES AND COOPERATIVE SOCIETIES, AND TRANSFER OF ENTERPRISES

Section I.
General Provisions

Scope

Art. 112. The provisions of this Chapter shall apply to the transformation of companies and cooperative societies, and to the transfer of enterprises.

Transformation date

Art. 113. The transformation date for tax purposes shall be the date on which the transformation is entered in the Commercial Register.

Last tax period where a company under transformation is wound up

Art. 114. The last tax period where a company under transformation is wound up shall be the period commencing from the beginning of the year and ending on the date of transformation. As for the companies which are newly established in the year of transformation, the last tax period shall be the period commencing from the date of establishment and ending on the date of transformation.

Taxation regarding the last tax period

Art. 115. (1) The companies under transformation and the foreign persons' business activity establishments under transformation shall be taxed with corporate tax for the last tax period in accordance with the general legal procedure. The taxation shall be final.

(2) For tax purposes the assets and liabilities as at the transformation date shall be considered realized at market prices and shall be written off.

(3) When determining the tax financial result, the accounting financial result shall be increased by

the profit and decreased by the loss calculated as the difference between the market price of the asset or liability and its accounting value as at the date of transformation. Those tax temporary differences for the last tax period which relate to the asset or liability shall be recognized in accordance with the general legal procedure. **Art. 66, paras. 1 and 2** shall apply to determining the tax financial result.

(4) Paras. 2 and 3 shall not apply in the cases of transformation under the conditions of **Sections II** and **III**.

Tax treatment of transformation by way of changing the legal form

Art. 116. (1) **Art. 115** and **117** shall not apply to the cases of transformation by way of changing the legal form under **Art. 264 of the Commerce Act**. The newly established company shall assume the obligations to determine the tax financial result and to pay the corporate tax due for the whole year of transformation.

(2) For tax purposes all those rights and obligations which arise from actions performed by the company under transformation both during the current period and during previous ones, including the transformations of the tax financial result, shall be regarded as being performed by the newly established company.

Tax treatment of transformation via transfer of property to the single owner

Art. 116a. (new - SG 110/07, in force from 01.01.2008) (1) In case of transformation via transfer of property to the single owner according to **Art. 265 of the Commerce Act** all rights and obligations resulting from acts of the company under transformation during current or previous terms, including transformations of the tax financial result, shall be considered performed by the sole entrepreneur.

(2) The sole entrepreneur shall submit a tax statement on the corporate tax for the most recent tax term of the company under transformation under the order of Art. **117, Para 1** and shall deposit the tax within the term under **Art. 117, Para 2**.

(3) After the transformation the sole entrepreneur shall deposit quarterly advance contributions in the year of transformation.

(4) The sole entrepreneur may not transfer the tax losses, incurred by the company under transformation.

(5) (Amend. - SG 98/18, in force from 01.01.2019) The sole entrepreneur may not recognize for tax purposes the unrecognised expenses for interests in the company under transformation resulting from the application of the weak capitalization regime and / or by the application of the rule for limiting the deduction of interest.

(6) The company under transformation shall not apply **Art. 115, Para 2 and 3**.

Declaring and paying the tax for the last tax period

Art. 117. (1) (amend. and suppl. - SG 110/07, in force from 01.01.2008) In the cases of termination of companies under transformation the newly established companies or the acquiring ones shall submit a tax return regarding the corporate tax for the last tax period of the company under transformation within a period of 30 days following the date of transformation. The return shall be submitted to the Territorial Directorate of the National Revenue Agency of the newly established or the host company. In case of transformation in the form of division a return shall be submitted only by one of the newly established or host companies.

(2) The corporate tax for the last tax period shall be paid by the newly established companies or the

acquiring ones within a period of 30 days following the date of transformation, after deducting the advance contributions made.

(3) (new - SG 110/07, in force from 01.01.2008) Para 1 and 2 shall apply also to cases of termination of the company under transformation according to **Section II** of the present Chapter.

Advance contributions of acquiring companies or newly established companies

Art. 118. (1) (amend. – SG 94/12, in force from 01.01.2013, suppl. - SG 104/20, in force from 01.01.2021) In the year of transformation of the acquiring companies shall make, following the transformation, the same advance contributions as before the transformation, and the newly incorporated companies shall make quarterly advance contributions in the year of the transformation and in the following year.

(2) (amend. – SG 94/12, in force from 01.01.2013) In the cases of transformation by way of changing the legal form under **Art. 264 of the Commerce Act** the newly established company shall make monthly advance contributions or quarterly ones in accordance with the general legal procedure, on the grounds of the prognosis tax revenue, determined by the company under transformation.

Carry-forward of a tax loss in the cases of transformation and transfer of an enterprise

Art. 119. (1) In the cases of transformation under the **Commerce Act** the acquiring companies or the newly established ones shall not be entitled to carry forward those tax losses which have been formed by the companies under transformation.

(2) In the cases of selling an enterprise under **Art. 15 of the Commerce Act** the legal successor shall not be entitled to carry forward those tax losses which have been formed by the alienator.

(3) Para. 1 shall not apply to the cases of transformation by way of changing the legal form under **Art. 264 of the Commerce Act**.

Regulation of low-rate capitalization and application of the rule for limiting the deduction of interest (Title amend. - SG 98/18, in force from 01.01.2019)

Art. 120. (1) (Amend. - SG 98/18, in force from 01.01.2019) In the cases of transformation under the Commerce Act the acquiring companies or the newly established ones shall not be entitled to recognize for tax purposes the unrecognized interest expenses and / or the unrecognized excess of borrowing costs of the companies under transformation, these expenses resulting from the application of the low-rate capitalization regime, respectively of the rule on limiting the deduction of interest.

(2) (Amend. - SG 98/18, in force from 01.01.2019) In the cases of selling an enterprise under **Art. 15 of the Commerce Act** the legal successor shall not be entitled to recognize for tax purposes the unrecognized interest expenses and / or the unrecognized excess of borrowing costs of the alienator, these expenses resulting from the application of the low-rate capitalization regime, respectively of the rule on limiting the deduction of interest.

(3) Para. 1 shall not apply to the cases of transformation by way of changing the legal form under Art. 264 of the Commerce Act.

Expenses of carrying out the transformation

Art. 121. (1) The accounting expenses the company under transformation has made in connection with the transformation shall not be recognized for tax purposes. The unrecognized expenses shall be

recognized for tax purposes when determining the tax financial result of the acquiring company or the newly established company for the year in which the transformation is carried out.

(2) Where circumstances are present which determine that the transformation will not take place, those expenses of the companies under transformation which are referred to in para. 1 shall be recognized for tax purposes for the year in which the said circumstances occur, providing that the requirements of this Act are met.

Tax treatment in the cases of choosing an earlier date of transformation for tax purposes

Art. 122. (1) (amend. and suppl. - SG 110/07, in force from 01.01.2008) In the cases of choosing an earlier date of transformation for tax purposes under **Art. 263g, para. 2 of the Commerce Act** all the actions of the companies under transformation performed at the expense newly established companies or the acquiring ones in the period from the said date until the date of transformation for tax purposes shall be considered performed for taxation purposes by the companies under transformation.

(2) (suppl. - SG 110/07, in force from 01.01.2008) In the cases under para. 1 all the accounting receipts and expenses, profits and losses accounted for by the newly established companies or the acquiring ones shall be recognized for tax purposes for the company under transformation. The said receipts and expenses, profits and losses shall not be recognized for tax purposes for the newly established companies or the acquiring ones. For the purposes of the first and second sentence the account income and expenses, profits and losses shall be those, which would have been estimated by the company under transformation, if no earlier date has been fixed for account purposes under the order of **Art. 263g, Para 2 of the Commerce Act**.

(3) When determining the tax financial result, the transformations resulting from the actions under para. 1 shall be made by the companies under transformation.

Cooperative organizations and State-owned enterprises

Art. 123. The provisions of this Chapter regarding the transformation of commercial companies shall also apply to the cases of:

1. restructuring of cooperative organizations;

2. winding-up, closure or formation of State-owned enterprises within the meaning of **Art. 62, para. 3** of the Commerce Act under the conditions of universal legal succession.

Responsibility in the cases of transformation and restructuring

Art. 124. (1) In the cases of transformation of commercial companies or restructuring of cooperative organizations the newly established companies/cooperative organizations or the acquiring ones shall bear joint responsibility for the tax liabilities of the companies or cooperative organizations under transformation up to the amount of the rights acquired.

(2) In the cases of transfer of an enterprise under **Art. 15 of the Commerce Act** the legal successor shall bear joint responsibility for the tax liabilities of the alienator up to the amount of the rights acquired.

(3) The rights acquired shall be assessed in accordance with the market prices.

Section II.
Specific Regime of Taxation in the Cases of Transformation

Scope

Art. 125. (1) (amend. - SG 106/08, in force from 01.01.2009) This Section shall apply to takeover, merger, split-up, separation, transfer of a separate activity and exchange of stocks and shares within the meaning of **Art. 126 through 131** in which local companies and/or companies of another Member State of the European Union are involved.

(2) (amend. - SG 106/08, in force from 01.01.2009) This Section shall also apply to the cases of restructuring of cooperative organizations, including ones of other Member States of the European Union where the conditions specified in this Section are present.

Takeover

Art. 126. (1) Takeover shall be any transformation in the course of which all of the following conditions are present:

1. all the assets and liabilities of one or more companies under transformation are transferred to an existing acquiring company, the companies under transformation being wound up without liquidation;

2. the shareholders or partners in the companies under transformation are issued stocks or shares in the acquiring company.

(2) Takeover shall also be any transformation in which all the assets and liabilities of the company under transformation are transferred to an acquiring company, the latter holding all the stocks or shares of the company under transformation, the latter being wound up without liquidation.

Merger

Art. 127. Merger shall be any transformation in the course of which all of the following conditions are present:

1. all the assets and liabilities of one or more companies under transformation are transferred to a newly established company, the companies under transformation being wound up without liquidation;

2. the shareholders or partners in the companies under transformation are issued stocks or shares in the newly established company.

Split-up

Art. 128. Split-up shall be any transformation in the course of which all of the following conditions are present:

1. (amend. - SG 110/07, in force from 01.01.2008) all the assets and liabilities of a company under transformation are transferred to two or more existing (host) or newly established companies, the company under transformation being wound up without liquidation;

2. the shareholders or partners in the company under transformation are issued stocks or shares in each of the existing or newly established companies in proportion to the stocks or shares held by the shareholders or partners in the company under transformation.

Separation

Art. 129. Separation shall be any transformation in the course of which all of the following conditions are present:

1. (amend. - SG 110/07, in force from 01.01.2008) one or more of the separate activities of a company under transformation are transferred to two or more existing (host) or newly established companies, the company under transformation not being wound up and preserving at least one of the separate activities;

2. the shareholders or partners in the company under transformation are issued stocks or shares in each of the existing or newly established companies in proportion to the stocks or shares held by the shareholders or partners in the company under transformation.

Transfer of a separate activity

Art. 130. (amend. - SG 110/07, in force from 01.01.2008) Transfer of a separate activity shall be any transformation in the course of which one or more than one or all of the separate activities of a company under transformation are transferred to one or more existing (host) or newly established companies, and in return thereof the existing or newly established companies issue stocks or shares in favour of the company under transformation, and the latter is not wound up.

Exchange of stocks and shares

Art. 131. Exchange of stocks and shares shall be a transformation in the course of which all of the following conditions are present:

1. as a result of the transformation, the acquiring company holds more than one half of the shares with voting rights or more than one half of the stocks of the acquired company, or, if it already holds such portion in the capital, it acquires an additional part of the stocks or shares;

2. the shareholders or partners in the acquired company exchange their stocks or shares for stocks or shares in the acquiring company.

Additional pecuniary payments and cases in which stocks or shares are not issued

Art. 132. (1) In the cases of takeover, merger, split-up, separation and exchange of stocks and shares, for the purpose of achieving an equivalent exchange, it shall be possible to make pecuniary payments to the shareholders or partners in the companies under transformation or the acquired companies, these being payments at the amount of up to 10 percent of the par value of the stocks or shares issued as a result of the transformation.

(2) (amend. - SG 110/07, in force from 01.01.2008) In the cases of takeover, division and separation it shall also be possible not to issue stocks or shares providing that the **Commerce Act** permits so.

Issue of stocks or shares

Art. 133. Within the meaning of this Chapter, issue of stocks or shares shall be present in the cases of provision of newly issued or owned stocks or shares in a newly established company, or an acquiring one, or a receiving one.

Separate activity

Art. 134. Separate activity shall be the aggregate of assets and liabilities of a company with which

the company can carry out economic activity of its own, the latter being independent from the organizational, functional and financial point of view.

Companies under transformation

Art. 135. Within the meaning of this Section, companies under transformation shall be:

1. a local company under transformation;

2. (amend. - SG 106/08, in force from 01.01.2009) a company under transformation from another Member State of the European Union;

3. (amend. - SG 106/08, in force from 01.01.2009) a business activity establishment within the country of a company under transformation from another Member State of the European Union.

Receiving companies

Art. 136. Within the meaning of this Section, receiving companies shall be:

1. a local newly established company or an acquiring company;

2. (amend. - SG 106/08, in force from 01.01.2009) a newly established company or an acquiring company from another Member State of the European Union;

3. (amend. - SG 106/08, in force from 01.01.2009) a business activity establishment within the country of the newly established company or the acquiring company from another Member State of the European Union.

A company from another Member State of the European Community

Art. 137. (amend. - SG 106/08, in force from 01.01.2009) Within the meaning of this Section, a company from another Member State of the European Union shall be a company which meets all of the following conditions:

1. the legal form of the company is in accordance with **Supplement No. 3**;

2. (amend. - SG 106/08, in force from 01.01.2009) the company is a local person for tax purposes in another Member State of the European Union, in accordance with the respective tax legislation and by virtue of a treaty with a third State on avoidance of double taxation the company is not considered a local person for tax purposes in another State outside the European Union;

3. the profits of the company are taxed either with a tax under **Supplement No. 4** or with another similar tax on profits, and the company is not entitled to choose it or to be exempt from taxation with the said tax.

Legal succession

Art. 138. For the purposes of this Section, in the cases of transformation all those rights and obligations which arise from the actions performed by the companies under transformation within the current period or during preceding periods and relate to assets and liabilities transferred under **Art. 139, item 1**, including the transformations in determining the tax financial result, shall be transferred to the acquiring companies.

Assets and liabilities subject to transformation

Art. 139. The assets and liabilities subject to transformation under this Section belong to the following categories:

1. assets and liabilities, the results of the utilization of which are considered, both before the transformation and after it, in determining the tax financial result under this Act;

2. assets and liabilities, the results of the utilization of which were considered before the transformation in determining the tax financial result under this Act, and as a result of the transformation are no longer considered in determining the tax financial result under this Act;

3. assets and liabilities, the results of the utilization of which were not considered before the transformation in determining the tax financial result under this Act, and as a result of the transformation are considered in determining the tax financial result under this Act.

Transferred assets and liabilities under Art. 139, item 1

Art. 140. (1) The accounting profits or losses that occur when assets and liabilities under **Art. 139, item 1** are written off as a result of the transformation shall not be recognized for tax purposes.

(2) Those tax temporary differences connected with assets and liabilities referred to in **Art. 139, item 1** which have occurred prior to the transformation shall not be recognized for tax purposes at the time of transformation and shall be regarded as occurring in the acquiring companies.

(3) Where, under the accounting legislation, an asset or a liability is recognized for the acquiring company and the value thereof differs from the value prior to the transformation, the difference between the two values either shall form a tax temporary difference of a subsequent appraisal or shall be an amount by which the tax temporary difference under para. 2 shall be revised.

(4) (suppl. - SG 110/07, in force from 01.01.2008) The subsequent valuation reserve (revaluation reserve) for those assets under Art. 139, item 1 which are not tax amortizable assets shall be transferred by the company under transformation and shall be regarded as occurring in the acquiring company. The latter shall not apply **Art. 45**. Where the transferred reserve of the subsequent valuation (revaluation reserve) referred to in the first sentence was not accounted by the acquiring company, in the year of writing off the asset, to which the reserve is related, shall be increased the accounting financial result by the amount of the reserve, if the reserve has a positive value, respectively reduced the accounting financial result, if the reserve has a negative value.

(5) (suppl. - SG 110/07, in force from 01.01.2008) The tax amortizable assets acquired under **Art. 139, item 1** shall be recorded in the tax amortization plan of the acquiring company, their values being equal to the ones in the tax amortization plan of the company under transformation at the time of transformation. A copy of the tax depreciation plan of the transforming company at the moment of transformation shall be delivered to the revenue authority together with the copy of the reference under Para 6.

(6) (amend. - SG 110/07, in force from 01.01.2008) A reference report under **Art. 141** shall be made on the transformation of each asset or liability under Art. 139, item 1.

(7) (new - SG 110/07, in force from 01.01.2008) Where as a result of the transformation the host company estimates under the accountancy legislation assets and debts, which were not estimated by the company under transformation, the accounted income and expense after the transformation related to these assets and debts shall not be recognized for tax purposes. Where the assets referred to in the first sentence are depreciable for accountancy purposes, they shall not be entered in the tax depreciation plan of the host company and no tax depreciation shall be accrued for them. The accountancy profit, which has occurred at the host company as a result of the transformation, respectively the accounted recognized income related to the negative reputation, which has arisen, shall not be recognized for taxation purposes.

(8) (new - SG 110/07, in force from 01.01.2008; amend. – SG 94/12, in force from 01.01.2013) Where an asset of the company under transformation was not recognized according to the accountancy legislation at the host company, the accountancy financial result shall be reduced by the asset in question, when determining the tax financial result of the host company for the year of transformation. Where a debt

of the company under transformation was not recognized under the accountancy legislation at the host company, the accounting financial result shall be increased by the value of the debt in question, when determining the tax financial result of the host company for the year of transformation. The tax temporary differences, which have occurred before transformation and are related to an asset or a debt referred to in the first or second sentence, shall be recognized at the host company during the year of transformation under the general order of the law.

(9) (new - SG 110/07, in force from 01.01.2008) Para 3, 6 and 8 shall not apply to:

1. tax depreciable assets;

2. assets and debts related to deferred taxes;

3. the reputation, where the the accountancy income and expenses estimated in relation to it are not recognized for tax purposes;

4. amounts, which are assets for the company under transformation, and debts for the host company;

5. amounts, which are debts for the company under transformation, and assets for the host company;

6. shares or quotas of the hos company, owned by the company under transformation;

7. own shares repurchased by the company under transformation;

8. subscribed but non-deposited capital of the company under transformation

9. assets and debts under **Art. 139, Item 2**.

(10) (new - SG 110/07, in force from 01.01.2008) Para 4 shall not apply to the reserve formed by subsequent valuations of financial assets and debts of the financial institutions, when the accountancy financial result was transformed under the order of **Art. 97** with the profits and losses under the subsequent valuations in question. This reserve shall not be noted in the references under Art. 141.

Reference reports on assets and liabilities under Art. 139, item 1

Art. 141. (1) The reference report under **Art. 140, para. 6** made by the companies under transformation shall contain the following information on each asset and liability as at the date of transformation:

1. type and designation;

2. accounting value;

3. tax temporary difference;

4. (new - SG 110/07, in force from 01.01.2008) reserve from a subsequent valuation (revaluation reserve).

(2) A copy of the reference report under para. 1 shall be submitted to the acquiring companies and the revenue body not later than the end of the month following the month of transformation.

(3) In the cases under **Art. 140, para. 3** a new reference report shall be made by the acquiring companies and a copy thereof shall be submitted to the revenue body together with the annual tax return. The reference report shall contain the following information on each asset and liability:

1. type and designation;

2. accounting value;

3. tax temporary difference before the transformation;

4. tax temporary difference after the transformation, determined under **Art. 140, para. 3**;

5. (new - SG 110/07, in force from 01.01.2008) reserve from a subsequent valuation (revaluation reserve).

(4) Where, following the submission under para. 3, corrections under the accounting legislation are made in the values of the assets and liabilities as a result of the transformation, the acquiring company shall make a revised reference report. The latter shall be submitted to the revenue body not later than the end of the month following the month of occurrence of those circumstances which have necessitated the revision.

(5) The reference reports under paras. 1 and 3 shall contain data identifying the companies under transformation and the acquiring companies, as well as the date of transformation and the court judgement on the entry thereof.

(6) (new - SG 110/07, in force from 01.01.2008) The copies of the references referred to in this article and from the tax depreciation plan under **Art. 140, Para 5** shall be submitted to the Territorial Directorate of the National Revenue Agency at the place of registration of the host companies on a magnetic or optical carrier, or in an electronic way.

Transferred assets and liabilities under Art. 139, item 2

Art. 142. (1) (amend. - SG 106/08, in force from 01.01.2009) The accounting profits or losses that occur when assets and liabilities under **Art. 139, item 2** are written off in connection with a business activity establishment of a local person in another Member State of the European Union shall not be recognized for tax purposes.

(2) Those tax temporary differences which are connected with assets and liabilities referred to in para. 1 shall not be recognized for tax purposes at the time of transformation, neither shall they be recognized in the subsequent years.

(3) Except for the cases under para. 1, for tax purposes the assets and liabilities present at the time of transformation under **Art. 139, item 2** shall be regarded as realized at market prices and shall be written off.

(4) In the cases under para. 3, when determining the tax financial result, the accounting financial result shall be increased by the profit and decreased by the loss calculated as the difference between the market price of the asset or liability and its accounting value as at the date of transformation. Those tax temporary differences for the last tax period which relate to the asset or liability shall be recognized in accordance with the general legal procedure. **Art. 66, paras. 1 and 2** shall apply to determining the tax financial result.

Transferred assets and liabilities under Art. 139, item 3

Art. 143. (1) For tax purposes the assets referred to in **Art. 139, item 3** shall be evaluated by the acquiring companies in accordance with the value thereof determined under the national accounting legislation.

(2) The taxable amortizable assets referred to in **Art. 139, item 3** shall be recorded in the tax amortization plan in accordance with the general legal procedure.

Carry-forward of tax losses

Art. 144. (1) In the course of transformation under this Section the acquiring companies shall not be entitled to carry forward those tax losses which have been formed by the companies under transformation.

(2) (amend. - SG 106/08, in force from 01.01.2009) Para. 1 shall not apply to the cases of takeover or merger under this Section resulting in setting up a business activity establishment, within the country, of a company from another Member State of the European Union, if prior to the transformation the said company did not have a business activity establishment within the country.

Tax losses of a business activity establishment

Art. 145. (1) (amend. - SG 106/08, in force from 01.01.2009) Those tax losses that have not been

carried forward until the time of transformation and have been formed by a business activity establishment of a local company in another Member State of the European Union shall not be deducted.

(2) (amend. - SG 106/08, in force from 01.01.2009) When determining the tax financial result, the accounting financial result shall be increased by the transferred tax losses at the time of transformation, these losses being formed by the business activity establishment of a local company in another Member State of the European Union, providing that the said losses have not been deducted from the profits of the business activity establishment.

Regulation of low-rate capitalization and application of the rule for limiting the deduction of interest (Title amend. - SG 98/18, in force from 01.01.2019)

Art. 146. (1) (Amend. - SG 98/18, in force from 01.01.2019) In the cases of transformation under this Section the acquiring companies shall not be entitled to recognize for tax purposes the unrecognized interest expenses and / or the unrecognized excess of borrowing costs of the companies under transformation, these expenses resulting from the application of the low-rate capitalization regime, respectively of the rule on limiting the deduction of interest.

(2) (amend. - SG 106/08, in force from 01.01.2009) Para. 1 shall not apply to those cases of takeover or merger under this Section as a result of which a business activity establishment is set up within the country of a company from another Member State of the European Union, and prior to the transformation the said company did not have a business activity establishment within the country.

Advance contributions on the part of acquiring companies

Art. 147. (1) (amend. – SG 94/12, in force from 01.01.2013, suppl. - SG 104/20, in force from 01.01.2021) In the year of transformation the acquiring companies shall make, following the transformation, the same advance contributions as before the transformation, and the newly incorporated companies shall make quarterly advance contributions in the year of the transformation and in the following year.

(2) (amend. – SG 94/12, in force from 01.01.2013) In the cases referred to in **Art. 144, para. 2** the acquiring companies shall make monthly or quarterly advance contributions under the general legal procedure, on the grounds of the net revenue income of the companies under transformation.

Write-off of a share

Art. 148. (1) In those cases where an acquiring company holds a share in the capital of a company under transformation, the accounting profits or losses relating to the write-off of the share in the capital shall not be recognized for tax purposes.

(2) The income under para. 1 shall not be subject to taxation withheld at the source under the procedure set forth in **Part Three**.

Tax treatment of shareholders or partners in companies under transformation and acquired companies

Art. 149. (1) The accounting profits or losses occurring for shareholders or partners in companies under transformation or acquired companies as a result of the acquisition of stocks or shares in acquiring companies shall not be recognized for tax purposes in the year in which they are accounted for and shall form tax temporary difference of subsequent appraisal.

(2) Those tax temporary differences occurring for shareholders or partners prior to the

transformation which are connected with the written-off stocks or shares in the companies under transformation or the acquired companies shall not be recognized for tax purposes at the time of transformation.

(3) The tax temporary differences under paras. 1 and 2 shall be regarded as occurring with regard to the newly acquired stocks or shares and shall be recognized for tax purposes in accordance with the general legal procedure.

(4) The income that has been realized by those foreign legal entities which are shareholders or partners in local companies under transformation or local acquired companies as a result of the acquisition of stocks or shares following a transformation shall be taxed or exempt from taxation at the source as at the date of transformation under the general legal procedure.

(5) The tax at the source under para. 4 shall be due by the shareholder or partner in cases of any disposal of the newly acquired stocks or shares and shall be payable within 60 days following the disposal.

(6) (amend. - SG 110/07, in force from 01.01.2008) It is until 31 January of the respective year that the foreign legal entities under paras. 4, 5 and 8 shall submit a declaration with the territorial directorate of the National Revenue Agency stating they have not disposed of the stocks or shares newly acquired as a result of the transformation. The persons submit a declaration under the first sentence each year until the year of disposal of the newly acquired stocks or shares.

(7) Where the declaration referred to in para. 6 is not submitted in due time, apart from the respective administrative sanction, for the purposes of this Act it shall also be assumed that the foreign legal entity has disposed of the newly acquired stocks or shares.

(8) (new - SG 110/07, in force from 01.01.2008) Shall not be treated as profit gained by a foreign legal person any acquisition of shares or quotas as a result of a transformation in form of a separation, except in case of separation, where shares of the company under transformation are being annulled. For the purpose of estimating the tax at the source, in case of a subsequent disposition of the shares or quotas referred to in the first sentence their documentary proved price of acquisition shall be zero.

Taxation of a company under transformation in the cases of transfer of a separate activity

Art. 150. (1) Those accounting profits or losses of a company under transformation which have occurred as a result of the transfer of a separate activity shall not be recognized for tax purposes in the year in which they are accounted for and shall form a tax temporary difference of subsequent appraisal.

(2) The tax temporary difference referred to in para. 1 shall be regarded as occurring with respect to the newly acquired stocks or shares and shall be recognized for tax purposes in accordance with the general legal procedure.

(3) In those cases where the stocks or shares referred to in para. 1 have been held by the company under transformation for a period of at least 5 years without interruption, the tax temporary difference under para. 1 shall not be recognized for tax purposes at the time of transformation, neither shall it be recognized for tax purposes in the subsequent years.

Tax evasion

Art. 151. The provisions of this Section shall not apply where the transformation is aimed at tax evasion or tax avoidance. Tax evasion is also presumed where the transformation either has no economic motivation or conceals disposal of assets.

Section III.

Relocation of the Registered Office of a European Company or a European Cooperative Society

Scope

Art. 152. Within the meaning of this Chapter, relocation of the registered office of a European company or a European cooperative society shall be an operation in which:

1. (amend. - SG 106/08, in force from 01.01.2009) without its being wound up and without a new legal entity being set up, the company relocates its registered office from the country to another Member State of the European Union, according to Art. 8 of Regulation (EC) No. 2157/2001 of the Council or according to Regulation (EC) No. 1435/2003 of the Council, the company's assets and liabilities being effectively connected with the business activity establishment within the country, and the results of the utilization of the said assets and liabilities being taken into consideration when determining the tax financial result, or

2. (amend. - SG 106/08, in force from 01.01.2009) without its being wound up and without a new legal entity being set up, the company relocates its registered office from another Member State of the European Union into the country, according to Art. 8 of Regulation (EC) No. 2157/2001 of the Council or according to Regulation (EC) No. 1435/2003 of the Council, the business activity establishment's assets and liabilities being effectively connected with the company within the country which has come into existence as a result of this operation, and the results of the utilization of the said assets and liabilities are taken into consideration when determining the tax financial result.

Legal succession

Art. 153. (1) For tax purposes, in those cases in which the registered office of a European company or a European cooperative society has been relocated under **Art. 152, item 1**:

1. all the actions performed by the company in the current and preceding periods, including the transformations of the tax financial result, shall be regarded as being performed by the business activity establishment;

2. the company shall not be taxed with corporate tax for the period starting from the beginning of the year until the date of the operation;

3. the business activity establishment shall be taxed with corporate tax under the general procedure for the period starting from the beginning of the year, and the activity performed by the company in the year of the operation shall be regarded as performed by the business activity establishment;

4. the business activity establishment shall have the right to carry forward those tax losses which have been formed by the company in accordance with the general procedure and have not been carried forward.

(2) For tax purposes, in those cases in which the registered office of a European company or a European cooperative society has been relocated under **Art. 152, item 2**:

1. all the actions performed by the business activity establishment in the current and preceding periods, including the transformations of the tax financial result, shall be regarded as being performed by the company;

2. the business activity establishment shall not be taxed with corporate tax for the period starting from the beginning of the year until the date of the operation;

3. the company shall be taxed with corporate tax under the general procedure for the period starting from the beginning of the year, and the activity performed by the business activity establishment in the year of the operation shall be regarded as performed by the company;

4. the company shall have the right to carry forward those tax losses which have been formed by

the business activity establishment in accordance with the general procedure and have not been carried forward.

Provisions applicable to the cases of relocation of the registered office

Art. 154. The provisions of **Section II** of this Chapter regarding the assets and liabilities, the profits and losses, and the tax temporary differences shall also apply to the cases of relocation of the registered office of a European company or a European cooperative society.

Chapter twenty .
TAX REGULATION IN TRANSFERS BETWEEN PART OF AN UNDERTAKING, LOCATED IN THE COUNTRY AND ANOTHER PART OF THE SAME UNDERTAKING, LOCATED OUTSIDE THE COUNTRY (TITLE, AMEND. – SG, 96/19, IN FORCE FROM 01.01.2020)

Transfer of assets/activity to another part of the undertaking, located outside the country

Art. 155. (Amend. – SG, 96/19, in force from 01.01.2020) (1) The taxable person shall apply **Art. 155a** - 155e and **Art. 157** in cases, where the Republic of Bulgaria loses in whole or in part the right to tax the result of the subsequent disposition of the transferred assets / activity in:

1. transfer of assets / activities from its head office in the country to its place of business, located outside the country;

2. transfer of assets / activity from own place of business in the country to another part of the undertaking, located outside the country;

3. transfer of assets / activities in the event of a change of the jurisdiction of a local person for tax purposes from the Republic of Bulgaria to another jurisdiction; this item shall not apply to assets, which continue to be effectively linked to a place of business in the country;

4. transfer of an activity, carried on through a place of business in the country to another jurisdiction.

(2) The Republic of Bulgaria shall lose completely the right to tax the result of a subsequent disposal of transferred assets / activities in cases, where the taxable person:

1. transfers assets / activity from its head office in the country to its place of business, located outside the country, and according to the agreement on avoidance of double taxation in respect of the profits, realized through the respective place of business, the method of "exemption with progressions" is applied;

2. transfers assets / activity from its place of business in the country to another part of the undertaking, located outside the country;

3. changes the jurisdiction to which is a local person for tax purposes from the Republic of Bulgaria to another jurisdiction, including for assets, located in other parts of the undertaking, located outside the country.

(3) The Republic of Bulgaria shall lose in part the right to tax the result of subsequent disposal of transferred assets / activities, when a taxable person transfers assets / activity from its head office in the country to own place of business and the applicable method of avoiding double taxation, in respect of profits, made through the place of business shall be a method of tax credit.

Transfer of assets

Art. 155a. (New, SG, 96/19, effective from 01.01.2020) (1) In the cases of transfer of assets under **Art. 155**, in determining the tax financial result, the accounting financial result shall be:

1. increased by the positive difference between the market price and the taxable value of the transferred asset at the time of the transfer;

2. decreased by the negative difference between the market price and the taxable value of the transferred asset at the time of the transfer.

(2) Value for tax purposes of a transferred asset shall be:

1. for tax depreciable assets - the tax value of the asset at the time of transfer;

2. for non-tax depreciable assets – the accounting value of the asset at the time of transfer:

a) reduced by the amount of the tax temporary difference, related to the asset in cases, where it would increase the accounting financial result in determining the tax financial result if the taxable person had disposed of the asset, respectively, increased by the amount of the tax temporary difference, related to the asset, in cases, where it would decrease the financial result in determining the tax financial result, if the taxable person had disposed of the asset, and

b) reduced by the amount of the subsequent valuation reserve (revaluation reserve) for the asset, when the reserve is positive, respectively increased by the amount of the reserve, when the reserve is negative; this letter shall not apply to the reserve from subsequent valuations of financial assets of financial institutions, when the accounting financial result has been reformed in accordance with **Art. 97** with the profits and losses on these ex-post valuations.

(3) In cases where, as a result of the transfer, the transferred asset is written off:

1. with the tax temporary difference, related to the transferred asset and that occurred before the transfer, shall not reform the accounting financial result in determining the tax financial result (not recognized for tax purposes), and

2. **Art. 45** and **Art. 66, Para. 1 and 2** with respect to the transferred asset shall not apply.

(4) In cases, where the transferred asset is not written off as a result of the transfer, the following adjustments shall be made at the time of the transfer:

1. for tax depreciable assets - an adjustment is made to the accrued tax depreciation for the asset, so that after the adjustment, the tax value of the asset to be equal to its market price at the time of transfer; in case the accrued tax depreciation for the asset is not sufficient to achieve the equality in the previous sentence, the amount of the deficiency the tax depreciable value of the asset is also adjusted; where the asset is not available in the tax depreciation plan, the taxable person records the asset in the tax depreciation plan with a tax depreciable value, equal to its market price at the time of the transfer;

2. for non-tax depreciable assets - the difference between the market price of the transferred asset and its value for tax purposes at the time of the transfer shall form a tax temporary difference from a subsequent valuation or with it is adjusted the tax temporary difference, associated with the asset, that occurred before the transfer.

Transfer of activity

Art. 155b. (New, SG, 96/19, effective from 01.01.2020) (1) In the cases of transfer of activity under **Art. 155**, in determining the tax financial result, the accounting financial result shall be:

1. increased by the positive difference between the market price of the transferred activity and the value for tax purposes of the transferred assets, decreased by the value for tax purposes of the transferred liabilities at the time of the transfer;

2. decreased by the negative difference between the market price of the transferred activity and the value for tax purposes of the transferred assets, decreased by the value for tax purposes of the transferred liabilities at the time of the transfer.

(2) Value for tax purposes of a transferred asset shall be the value, determined in accordance with **Art. 155a, Para. 2**.

(3) The value for tax purposes of a transferred liability is the accountancy value of the liability at the time of transfer, decreased by the amount of the tax temporary difference, related to the liability, where it would reduce the financial result in determining the tax financial result, if the taxable person had repaid the

liability, respectively increased by the amount of the tax temporary difference, related to the liability, in cases, where it would increase the accounting financial result in determining the tax financial result, if the taxable person had repaid the liability

(4) In cases, where as a result of the transfer, an asset / liability is written off:

1. with the tax temporary difference, related to the transferred asset / liability, that occurred before the transfer, the accounting financial result shall not be reformed in determining the tax financial result (not recognized for tax purposes), and

2. **Art. 45** and **Art. 66, Para. 1 and 2** with respect to the transferred asset shall not apply.

(5) In cases, where as a result of the transfer, the transferred asset / liability is not written off, the following adjustments shall be made at the time of transfer:

1. for tax depreciable assets - the adjustment shall be made in accordance with **Art. 155a, Para. 4, item 1**;

2. for non-tax depreciable assets - the adjustment shall be made in accordance with **Art. 155a, Para. 4, item 2**;

3. for liabilities - the difference between the market price of the transferred liability and its value for tax purposes at the time of the transfer forms a tax temporary difference from the ex-post valuation or adjusts the tax temporary difference, related to the liability, that occurred before the transfer.

Temporary transfer of assets

Art 155c. (New, SG, 96/19, effective from 01.01.2020) (1) Article **155** shall not apply, where the transfer of assets is for a period, not exceeding 12 months and subject to that the transfer:

1. is related to securities financing transactions, or

2. is related to assets, provided as collateral, or

3. is carried out for the purpose of meeting prudential capital requirements or managing liquidity.

(2) In case the assets under Para. 1 are not transferred back to the Republic of Bulgaria within 12 months from the moment of the transfer, the provisions of **Art. 155** and **Chapter Twelve** shall apply respectively.

Payment of the part of the corporate tax, relating to the transfer of assets to a Member State of the European Union or to another state - party to the European Economic Area Agreement

Art 155d. (New, SG, 96/19, effective from 01.01.2020) (1) The taxable person may defer payment of the part of the corporate tax due, as a result of a transfer with an incidental or irregular nature of assets / activity under Art. 155, but not more than the corporate tax, due for the relevant tax period when:

1. transfers assets / activities from its head office in the country to his own place of business, located in a Member State of the European Union or in another country - party to the European Economic Area Agreement;

2. transfers assets / activity from his own place of business in the country to another part of the undertaking, located in a Member State of the European Union or in another country - party to the European Economic Area Agreement;

3. transfers assets / activities in the event of a change of jurisdiction, to which he is a local person for tax purposes, from the Republic of Bulgaria to a Member State of the European Union, or to another country - party to the European Economic Area Agreement;

4. transfers an activity, carried out through a place of business in the country, to a Member State of the European Union or to another country - party to the European Economic Area Agreement.

(2) Para. 1 shall apply to other countries, which are parties to the European Economic Area Agreement only in the event of a signed and enforced mutual assistance agreement with the Republic of Bulgaria or the European Union on collection of tax receivables, equivalent to mutual assistance, provided for in Council Directive 2010/24 / EU of 16 March 2010 on mutual assistance for collection of receivables,

relating to taxes, fees and other measures (OJ L 84/1 of 31 March 2010), hereinafter referred to as "Directive 2010/24 / EU".

(3) The part of the corporate tax due, as a result of the transfer of assets / activity under Para. 1 shall be determined, as the sum of the excess of the increases over the reductions under Art. 155a, Para. 1 and the excess of the increases over the reductions under **Art. 155b, Para. 1** for the transferred assets / activities during the year, for which the deferral is applied, is multiplied by the tax rate.

(4) The installment amount for deposit under Para. 1 shall be apportioned among the transferred assets / activities by the following formula:

A is the part of the installment amount for deposit under Para. 1, allocated to the respective transferred asset / activity;

B is the installment amount for deposit under Para. 1.;

C is the positive difference under **Art. 155a, Para. 1**, item 1 for the respective transferred asset, respectively the positive difference under **Art. 155b, Para. 1, item 1** for the respective transferred activity;

D is the sum of the positive differences under Art. 155a, Para. 1, item 1 and the positive differences under Art. 155b, Para. 1, item 1 for all transferred assets / activities during the year, for which deferral is applied.

(5) The installment amount for deposit under Para. 4, allocated to each transferred asset / activity shall be paid in five equal annual installments. The first installment shall be paid within the deadline for the payment of corporate tax for the year of transfer. The remaining installments shall be paid in the next 4 consecutive years within the deadline for the corporate tax payment for the respective year. For the installments, referred to in the preceding sentence, the taxable person shall owe interest in accordance with the Act on Interest on Taxes, Fees and Other Similar State Claims.

(6) The taxable person shall exercise the right of installment under Para. 1 with the annual tax return for the year of occurrence of the circumstance under Para. 1, in which he declares the presence of this circumstance. At the request of the revenue body, the person shall be required to provide evidence of presence of the circumstance.

(7) The installment amount for deposit under Para. 4, allocated to the relevant asset / activity, that has not become due, shall become immediately required in one of the following circumstances:

1. the person has sold or otherwise disposed of the transferred asset / activity;

2. the person subsequently made a transfer to a non-EU country of the transferred asset;

3. a subsequent amendment of the jurisdiction, in which the person is a local person for tax purposes has been made, or subsequent transfer of the activity to a country outside the European Union;

4. the person is in bankruptcy or liquidation proceedings;

5. the person has not paid the due contribution within 12 months from the expiry of the deadline for payment under Para. 4 for the relevant contribution.

(8) Para. 7, items 2 and 3 shall not apply, where the subsequent transfer or subsequent change is to States, which are States - Parties to the European Economic Area Agreement and which have an agreement, concluded and enforced with the Republic of Bulgaria or the European Union, on mutual assistance for the recovery of tax claims, equivalent to the mutual assistance, provided for in Directive 2010/24 / EU.

(9) Upon occurrence of any of the circumstances under Para. 7, the person shall notify in writing the territorial directorate of the National Revenue Agency at the place of registration or the place where his / her registration as a taxable person was made, within 14 days from the occurrence of the respective circumstance.

(10) Para. 1-9 shall not apply to a transferred asset / activity, for which the year of transfer under Para. 1 and the year of occurrence of a circumstance under Para. 7 is the same.

Transfer of assets from another part of the undertaking, located outside the country

Art. 155e. (New, SG, 96/19, effective from 01.01.2011) (1) In the case of transfer of a tax

depreciable asset from a part of the undertaking, located outside the country, to a part of the undertaking, located in the country, the tax the depreciable amount, at which the asset is recorded in the tax depreciation plan shall be its market price at the time of the transfer.

(2) When transferring a tax depreciable asset from a part of an undertaking, located outside the country to a part of an undertaking, located in the country, if it is available in the tax depreciation plan at the time of the transfer and the transfer of the asset has been taxed in another Member State of the European Union, in accordance with Art. 5 of Council Directive (EU) 2016/1164 of 12 July 2016, laying down rules against tax avoidance practices, that directly affect the functioning of the internal market (OJ L 193/1 of 19 July 2016), hereinafter referred to as Directive (EU) 2016/1164, the taxpayer shall make an adjustment to the tax charge on the asset, so that, after the adjustment, the tax value of the asset is equal to the value, used as the market price in the application of Directive (EU) 2016/1164 in the other Member State. In case the accumulated tax depreciation for the asset is not sufficient to achieve the equality under the previous sentence, the tax depreciable value of the asset shall also be adjusted with the amount of the deficiency.

(3) In the case of a transfer of a non-tax amortizable asset from a part of an undertaking, located outside the country to a part of an undertaking, located in the country, and if at the time of the transfer there is a difference between the market price of the asset and the accounting value, by which an asset is recognized as a result of a transfer under accounting law in the country, the difference shall form a tax temporary difference from a subsequent measurement.

(4) For transfer of a non-taxable depreciable asset from a part of an undertaking, located outside the country to a part of an undertaking, located in the country, if it is recognized for accounting purposes, prior to the transfer, under the country's accounting legislation and the transfer of the asset has participated in taxation in another Member State of the European Union, in accordance with Art. 5 of Directive (EU) 2016/1164, the difference between the market price of an asset when applying Directive (EU) 2016/1164 in the other Member State and the market price of the asset under **Art. 155a, Para. 1** at the time of the previous transfer from the country shall form a temporary tax difference from a subsequent measurement or adjust the temporary tax difference, related to the asset, that occurred before the transfer.

(5) In the cases of Para. 1 - 4, where there is a difference between the price, set for the market in the other country and the price, set for the market by the revenue body, the price, set for the market by the revenue body shall apply.

(6) Paragraphs 1 and 3 shall also apply, where a transfer of assets results in a place of business in the country.

Transfer of services

Art. 156. (Amend. – SG, 96/19, in force from 01.01.2020) (1) In the case of transfer of a service from a part of the undertaking, located in the country to another part of the undertaking, located outside the country, in determining the tax financial result for the year of transfer, the accounting financial result shall increase by exceeding the market price of the service at the time of the transfer above its cost, respectively, shall be reduced by the excess of the cost of the service over its market price at the time of the transfer, in the case, when the transfer did not account for accounting revenue at market value and:

1. the particular transfer coincides with the usual transactions, made through that part of the undertaking, located in the country and directed to third parties, or

2. the ordinary activities, carried out through that part of the undertaking, located in the country consist of similar transfers to other parts of the undertaking, or

3. the service is intended to be in modified or unmodified type to another person.

(2) When, as a result of the transfer of a service from a part of the undertaking, located in the country to another part of the undertaking, located outside the country, which does not fall under the cases of Para. 1, item 1 - 3, an asset is written off, with the tax temporary difference, related to the asset and occurring before the transfer, the accounting financial result shall not be transformed in determining the tax financial result (not recognized for tax purposes).

(3) In the case of a transfer of a service from a part of an undertaking, located outside the country to another part of an undertaking, located in the country, where there is a difference between the market price of the service at the time of the transfer and the reported expense or the one to be reported in connection with the service, the difference shall:

1. decrease the accounting financial result in determining the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, when the difference is positive;

2. increase the accounting financial result in determining the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, when the difference is negative.

(4) Para. 3 shall apply in cases, where:

1. the particular transfer coincides with the usual transactions made through that part of the undertaking, located outside the country and directed to third parties, or

2. the ordinary activities, carried out through that part of the undertaking, located outside the country consist of similar transfers to other parts of the undertaking, or

3. the service is intended to be in modified or unmodified type to another person.

(5) When transferring a service from a part of the undertaking, located outside the country to another part of the undertaking, located in the country, except in the cases specified in Para. 4, when there is a difference between the amount of the reported expense or the one to be accounted for in connection with the service and the cost of the service, the difference shall:

1. increase the accounting financial result in determining the tax financial result for the year of recognition for tax purposes of the accounting expense, in connection with the service, when the difference is positive;

2. increase the accounting financial result in determining the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, when the difference is negative;

(6) When the transferred service under Para. 3 and 5 is capitalized in the value of tax amortizable asset, the transformation of the accounting financial result in accordance with Para. 3 and 5 shall be made in determining the tax financial result for the year of transfer.

(7) Para. 1-6 shall also apply in the case of other transfers, made between parts of an undertaking, located in the country and, respectively, outside the country, which are not transfers of assets / activities under Art. 155 or service transfers.

Non-recognition of accounting revenue, expense, profit or loss

Art. 157. (Amend. – SG, 96/19, in force from 01.01.2020) (1) In case as a result of transfer under **Art. 155a** and **155b** for income, expenses, profit or losses have been accounted they shall not be recognized for tax purposes.

(2) In the event, that as a result of a transfer, that is not a transfer under **Art. 155a** and **155b** from a part of an undertaking, located in the country to another part of an undertaking, located outside the country, accounting income, expenses, profits or losses have been reported, they shall not be recognized for tax purposes when:

1. the accounting financial result has been transformed in accordance with **Art. 156, Para. 1**, or

2. the conditions of **Art. 156, Para. 1, items 1 – 3** have not been fulfilled.

(3) Para. 2, item 2 shall not apply to accounting expenses, recorded by a taxable person as a result of a transfer from his head office in the country to his place of business, located outside the country.

Chapter twenty one.
TAX REGULATION IN THE CASES OF WINDING-UP THROUGH LIQUIDATION OR DECLARING BANKRUPTCY AND IN THE CASES OF DISTRIBUTION OF A LIQUIDATION SHARE

Section I.
General Provisions

General provisions

Art. 158. (1) (Amend. – SG 99/11, in force from 01.01.2012, previous text of Art. 158 - SG 98/18, in force from 01.01.2019) In the cases of winding-up through liquidation or declaring bankruptcy, throughout the period prior to his being deleted the taxable person shall perform his obligations in accordance with the general procedure set forth in this Act and in observance of the requirements specified in this Chapter.

(2) (New - SG 98/18, in force from 01.01.2019) As regards the tax returns submitted under the provisions of this Chapter, shall apply Art. 92 Para. 4, when during the tax period no activity has been performed within the meaning of the Accountancy Act.

Section II.
Corporate Tax in the Cases of Winding-Up (Repealed – SG 98/18, in force from 01.01.2019)

Determining the tax in the cases of winding-up

Art. 159. (Repealed – SG 98/18, in force from 01.01.2019)

Declaring and Payment of the Tax in the Cases of Winding-up (title, amend. – SG, 95/2015, in force from 1. 1. 2016)

Art. 160. (Repealed – SG 98/18, in force from 01.01.2019)

Section III.
Corporate Tax for the Last Tax Period

Last tax period

Art. 161. (1) (Amend. – SG 98/18, in force from 01.01.2019) The last tax period of a taxable person wound up through liquidation or by being declared bankrupt shall start on 1 January of the year in which the deletion is carried out and shall end on the date of the deletion.

(2) (Repealed – SG 98/18, in force from 01.01.2019)

(3) The last tax period of a foreign person’s business activity establishment shall start on 1 January of the year in which its activity is suspended and shall end on the date of the suspension.

(4) (new - SG 95/09, in force from 01.01.2010) The last tax period of non-personified company or social insurance office shall cover the period from 1 January of the year, when the suspension has taken place to the date of the suspension.

(5) (prev. par. 4 - SG 95/09, in force from 01.01.2010) The taxable person shall be taxed with corporate tax on the tax profit realized in the last tax period, in accordance with the general legal procedure. The corporate tax due shall be final.

(6) (prev. par. 5 - SG 95/09, in force from 01.01.2010, repealed, - SG, 96/19, in force from 01.01.2020)

(7) (New - SG 98/18, in force from 01.01.2019) The representative of the taxable person during the last tax period - liquidator, trustee, representing the permanent establishment, unincorporated company or insurance fund - shall declare and deposit the due tax deducted from the taxpayer's property for that tax period.

Declaring the tax for the last tax period

Art. 162. (1) (Amend. - SG 98/18, in force from 01.01.2019) The tax return for the last tax period determined in accordance with **Art. 161, para. 1** shall be submitted within 30 days following the date of deletion of the taxable person.

(2) (Repealed - SG 98/18, in force from 01.01.2019)

(3) (Amend. - SG 98/18, in force from 01.01.2019) The tax return for the last tax period determined in accordance with **Art. 161, para. 3** shall be submitted within 30 days from the suspension of activity.

(4) (New – SG 95/09, in force from 01.01.2010, amend. - SG 98/18, in force from 01.01.2019) The tax return for the last tax period, determined pursuant to **Art. 161, par. 4**, shall be submitted within 30 days from the date of suspension.

(5) (Prev. par. 4 - SG 95/09, in force from 01.01.2010, amend. - SG 98/18, in force from 01.01.2019) Where the date of deletion in case of liquidation or bankruptcy or suspension of the activity of a business activity establishment, or the termination of an unincorporated company or insurance fund is before expiry of the deadline for submitting the annual tax return for the preceding year, and the same has not been filed, it shall be filed within the terms under Para. 1, 3 and 4, when they expire before this deadline.

(6) (Prev. item 5 - SG 95/09, in force from 01.01.2010; amend. – SG 99/11, in force from 01.01.2012, repealed - SG 98/18, in force from 01.01.2019)

Paying the tax for the last tax period

Art. 163. (Amend. - SG 98/18, in force from 01.01.2019) (1) The corporate tax due for the last tax period, this tax being determined under **Art. 161, para. 1, 3 and 4** shall be payable within the time limits of its declaring.

(2) Where the date of deletion in the event of liquidation or bankruptcy or the termination of the activity of a permanent establishment, or the termination of an unincorporated company or insurance fund is before the expiry of the deadline for submitting the annual corporation tax for the preceding year and the same has not been paid, it shall be paid within the term under Para. 1 when it expires before this deadline. In this case, with respect to the corporate tax for the previous year, **Art. 161, para. 7** shall apply.

Tax treatment in cases in which a taxable person wound up through liquidation continues the activity after the date of filing the request for deletion

Art. 164. (Repealed – SG 98/18, in force from 01.01.2019)

Tax treatment in the cases of distribution of a liquidation share or dividends (Title suppl. –

SG 94/10, in force from 01.01.2011)

Art. 165. (1) (suppl. – SG 94/10, in force from 01.01.2011) For tax purposes the assets distributed as a liquidation share or dividends shall be regarded as realized by the taxable person at the time of distribution at their market prices and shall be written off.

(2) (suppl. – SG 94/10, in force from 01.01.2011) In the cases referred to in para. 1, when determining the tax financial result, the accounting financial result shall be increased by the profit and decreased by the loss calculated as a difference between the market price of the assets and their accounting value as at the date of distribution of the liquidation share or the dividends. Those tax temporary differences which relate to the assets shall be recognized in accordance with the general legal procedure. **Art. 66, paras. 1 and 2** shall apply to determining the tax financial result.

(3) (suppl. – SG 94/10, in force from 01.01.2011) Those accounting receipts and expenses which are accounted for in connection with the distribution of the liquidation share or the dividends in the form of assets shall not be recognized for tax purposes.

Chapter twentytwo.
ABATEMENT, ASSIGNMENT AND EXEMPTION FROM TAXATION WITH CORPORATE TAX (TITLE, AMEND. – SG, 105/14)

Section I.
General Provisions

Notion of assignment

Art. 166. (amend. – SG, 105/14, in force from 1. 1. 2015) Assignment of corporate tax shall be the taxable person’s right not to pay into the state budget those amounts of the corporate tax determined under this Act which remain in the patrimony of the taxable person and are used for purposes determined by law.

General requirement regarding assignment or abatement of corporate tax (Title, amend. – SG, 105/14, in force from 1. 1. 2015)

Art. 167. (1) (amend. – SG, 105/14, in force from 1. 1. 2015) The corporate tax shall be assigned or abated under this Chapter, and the accounting financial result shall be decreased when determining the tax financial result, providing that as at 31 December of the respective year the taxable person has no:

1. public liabilities subject to enforcement, or

2. sanctions under effective penalty warrants connected with violations of statutory instruments relating to public liabilities, or

3. interest relating to nonpayment in due time of the liabilities under items 1 and 2.

(2) The fulfilment of the requirement under para. 1 shall be certified by the taxable person in his tax return.

Accounting the corporate tax that has been assigned or abated (Title, amend. – SG, 105/14, in force from 1. 1. 2015)

Art. 168. (1) (Title, amend. – SG, 105/14, in force from 1. 1. 2015) The corporate tax that has been assigned or abated under this Chapter shall be accounted for in the equity.

(2) (revoked - SG 110/07, in force from 01.01.2008)

Recognition of a part of the non-distributable receipts or expenses

Art. 169. (1) The part of the non-distributable receipts or expenses which corresponds to those activities for which the assignment of the corporate tax is enjoyed shall be determined by multiplying the aggregate of the non-distributable receipts or expenses by the ratio of the net receipts from sales from the activities for which the assignment is enjoyed to all the net receipts from sales.

(2) Where the non-distributable amounts with which the accounting financial result is transformed are not attributable to a separate activity only and are connected with the performance of an activity for which assignment is enjoyed, the said amounts shall be allotted to the activity for which the corporate tax is assigned, the tax financial result for this activity being determined on the grounds of the ratio referred to in para. 1.

Declaring assigned or abated corporate tax (Title, amend. – SG, 105/14, in force from 1. 1. 2015, in force from 1. 1. 2015)

Art. 170. (amend. – SG, 105/14, in force from 1. 1. 2015, in force from 1. 1. 2015) Where a taxable person’s corporate tax is assigned on various grounds under this Chapter, the taxable person shall be obligated to declare in his tax return the succession in which he has enjoyed the various grounds for assignment of the corporate tax.

Assignment of an additionally established corporate tax

Art. 171. (1) A taxable person whose corporate tax for a year in the past was assigned is entitled to assignment of an additionally established undeclared corporate tax for the same year providing that he fulfils all the requirements of this Chapter regarding the respective assignment of corporate tax.

(2) The term for the fulfilment of the said requirements commences on the date on which the additional corporate tax is established.

(3) (new – SG, 95/2015, in force from 1. 1. 2016) Para. 2 shall not apply to tax relief, representing state aid for regional development.

Suspension of the right to assignment

Art. 172. (1) (amend. – SG, 105/14, in force from 1. 1. 2015, amend. - SG 64/19, in force from 13.08.2019) The right to abatement or assignment under this Chapter shall be suspended in the cases of transfer of an undertaking under **Art. 15 of the Commerce Act** and transformation of the taxable person, with the exception of transformation by way of changing the legal form under **Art. 264 of the Commerce Act**.

(2) Para. 1 shall also apply to the restructuring of cooperative organizations.

(3) (New - SG, 105/14, in force from 1. 1. 2015, amend. – SG, 95/2015, in force from 1. 1. 2016) The right to abatement under **Art. 184** in relation to **Art. 189** shall be terminated also in the cases, in which not all conditions have been fulfilled of this Chapter for application of tax relief , representing state aid for regional development.

Nonfulfilment of requirements

Art. 173. (1) (amend. – SG, 95/2015, in force from 2016, suppl. – SG, 96/19, in force from 01.01.2020) Where the requirements regarding use (spending) of assigned corporate tax have not been fulfilled, the latter shall be due in full amount for the respective year, in accordance with the general legal procedure.

(2) Para. 1 shall not apply to those cases of transformation in which the acquiring or newly established companies perform the liabilities of the companies under transformation in observance of those conditions and procedure set forth in this Chapter which concern the companies under transformation. In the cases under the first sentence the acquiring or newly established companies shall be jointly answerable for the assigned corporate tax of the companies under transformation.

(3) Para. 2 shall also apply to the restructuring of cooperative organizations.

(4) (new – SG, 95/2015, in force form 1. 1. 2016) The right to assignment under **Art. 184** in relation to **Art. 189** shall not occur in the cases, in which not all conditions of this Chapter have been fulfilled for applying tax relief, representing state aid for regional development.

(5) (new – SG, 95/2015, in force from 1. 1. 2016) Where the failure to be fulfilled the conditions for applying tax relief, representing state aid for regional development occurs during the period for making the relevant initial investment, the assigned corporate tax on this relief shall be due in the same procedure of the act for the year, for which it has occurred.

(6) New, SG 96/19, effective from 01.01.2020) In the cases of tax relief, representing minimum aid or state aid to farmers, the corporate tax under Para. 1 shall be due to the general order of the Act in the following amounts:

1. for a tax relief, representing a minimum aid - in the amount of the excess of the transferred tax over the investment under **Art. 188, Para. 3**;

2. for tax relief, representing state aid for farmers - in the amount of the excess of the transferred tax over 50 per cent of the present value of the assets under **Art. 189b, Para. 2, item 1**, determined at the date of granting the aid; the interest rate for the purpose of determining the present value of the assets is the reference rate, set by the European Commission as at 31 December of the year of the deduction.

Section II.
Exemption from Taxation with Corporate Tax

Collective investment schemes, national investment funds and other alternative investment funds (Title amend. - SG 109/13, in force from 01.01.2014, amend. - SG 103/18, in force from 01.01.2019)

Art. 174. (amend. – SG 77/11; amend. - SG 109/13, in force from 01.01.2014, amend. - SG 103/18, in force from 20.05.2019) Those collective investment schemes which are admitted to being offered to public at large in the Republic of Bulgaria, the national investment funds and alternative investment funds created for the implementation of financial instruments on the basis of financial agreements within the meaning of Article 38 (7) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OB, L 347/320 of 20 December 2013) under the **Act on the Operation of Collective Investment Schemes and other Collective Investment**

Undertakings shall not be liable for corporate tax.

Companies of a special investment purpose

Art. 175. (Amend. - SG 21/21, suppl. - SG 51/22) The companies of a special investment purpose under the Special Investment Companies and Securitization Companies Act shall not be liable for corporate tax.

Bulgarian Red Cross

Art. 176. The Bulgarian Red Cross shall not be liable for corporate tax.

Art. 176a. (new – SG 1/14, in force from 01.01.2014) (1) (Suppl. - SG 69/20, amend. - SG 14/21, in force from 17.02.2021) Organizers of gambling games, for which stamp duty is due under **Art. 30, para 3** of the Act on Gambling shall not be subject to corporate income tax for this activity.

(2) The persons referred to in para 1 shall be subject to corporate income tax for all other business activities.

Section III.
General Tax Relief

Tax incentives in the cases of employing unemployed persons

Art. 177. (1) When determining his tax financial result, the taxable person shall be entitled to abate his accounting financial result providing that he has employed a person under an employment contract for at least 12 consecutive months and at the time of his being employed, the said person:

1. has been registered as an unemployed person for more than a year, or
2. is a registered unemployed person aged 50 or more, or
3. is an unemployed person of reduced capacity for work.

(2) The abatement concerns the amounts paid as remuneration and the contributions paid at the expense of the employer in the State Social Insurance Fund and the National Health Insurance Fund for the first 12 months of the employment. The abatement is enjoyed once in the year in which the 12 months' period expires.

(3) (suppl. – SG 16/13) The abatement shall not concern the amounts received under the **Employment Promotion Act** and pursuant to **Art. 22e** of the Investment Promotion Act.

(4) (revoked - SG 106/08, in force from 01.01.2009)

Tax incentives in case of awarding of scholarship

Art. 177a. (new - SG 95/09, in force from 01.01.2010) (1) For taxation purposes the accounted expenses for an instituted and awarded scholarship to students, accomplishing high school or to students studying at schools in an European Union Member State, or in another state which is a party to the Agreement for the European Economic Area for a period of not less than 12 and not more than 24 months shall be recognized and as of the time of awarding of the scholarship the following conditions are complied with:

1. the scholarship holder is a student at the last two years of acquisition of secondary education

level or is a student at the last two years for acquisition of the educational degree of "bachelor" or "master" and is under the age of 25;

2. the profession of the scholarship holder is applicable in the activity of the taxable person;

3. the taxable person has become bound by the scholarship awarding agreement to appoint the scholarship holder for a period which is not less than the total number of months for which the scholarship has been awarded.

(2) The taxable person may institute and award following the provision of par. 1 a scholarship to one or more school or university students.

(3) In case the taxable person fails to appoint the scholarship holder by the end of the calendar year, following the year of accomplishment of education, for determination of the taxable financial result for the year of occurrence of this circumstance the accountable financial result shall be increased by the amount of the awarded scholarship.

(4) Should the taxable person appoint the scholarship holder for a part of the period referred to in par. 1, item 3, for the determination of the taxable financial result for the year of termination of the employment relationship, the accountable financial result shall be increased by the part of the awarded scholarship, pro rata the non-fulfilled obligation under par. 1, item 3.

(5) Where the scholarship holder refuses to start working by the end of the calendar year following the year of accomplishment of education, for determination of the taxable financial result for the year of occurrence of this circumstance the accountable financial result shall be increased by:

1. the entire amount of the awarded scholarship, where no compensation in favour of the taxable person for the awarded scholarship has been agreed upon;

2. the difference between the awarded scholarship and the agreed compensation, where the compensation has been agreed in an amount which is less than the awarded scholarship.

Art. 177b. (new – SG 68/13, in force from 01.01.2014) **Art. 177** shall not apply to appointed persons under employment agreements to whom the provision of **Art. 177a** has been applied.

Enterprises employing disabled persons

Art. 178. (1) (Amend. – SG 105/18, in force from 01.01.2019) The corporate tax shall be totally assigned to those legal entities- specialized enterprises or cooperative societies within the meaning of the Persons with Disabilities Act which as at 31 December of the respective year are members of the national representative organizations of disabled people and for disabled people, and in which at least:

1. twenty percent of the total number of staff are people of poor eyesight, or

2. thirty percent of the total number of staff are people of poor hearing, or

3. fifty percent of the total number of staff are people suffering from other impairments.

(2) In those cases where the requirements under para. 1 regarding the number of the employed persons have not been fulfilled, the corporate tax of the legal entities referred to in para. 1 shall be assigned in proportion either to the number of people suffering from impairments, or to the number of people with reduced capacity for work reassigned to suitable jobs, versus the total number of staff.

(3) (amend. and suppl. - SG 18/19, in force from 28.02.2020) The assignment shall be allowable where the assigned tax is spent only on the integration of the disabled people or on maintaining and creating new jobs for people with reduced capacity for work who should be reassigned to suitable jobs within a period of two years following the year for which the assignment is enjoyed. The planning, spending and accounting for the financial means shall be carried out by way of rules of the national representative organizations of disabled people, in coordination with the Minister of Labor and Social Policy.

Agricultural products

Art. 179. (revoked - SG 95/09, in force from 01.01.2010)

Air Transport Directorate

Art. 180. (revoked - SG 95/09, in force from 01.01.2010)

Social and health insurance funds

Art. 181. (1) There shall be assigned 50 percent of the corporate tax due by the social and health insurance funds, created by virtue of law, on activity that is either directly connected with or helpful to the performance of their basic activity.

(2) The assignment shall be allowable in those cases where the assigned tax is invested in the basic activity not later than the end of the year following the year for which the assignment is enjoyed.

Section IV.
De Minimis or State Aid in Form of Tax Relief (Title amend. - SG 110/07, in force from 01.01.2007, title, amend. – SG, 105/14, in force from 1.1. 2015)

Taxable persons that may not enjoy tax relief

Art. 182. (1) (prev. text of Art. 182, amend. - SG 110/07, in force from 01.01.2007) The tax relief under this Section shall not be enjoyed by those taxable persons which:

1. (amend. – SG, 105/14, in force from 1.1. 2014, amend. – SG, 95/2015, in force from 1. 1. 2016) carry on activities in the branches of transport, coal mining, steel manufacture, energy, synthetic fibres manufacture, fisheries and aquacultures, as well as the primary production, processing and placing on the market those agricultural products which are specified in Annex 1 of the Treaty on Functioning of the European Union, with regard to the respective activity, or;

2. (amend. - SG 110/07, in force from 01.01.2007) are parties to liquidation or rehabilitation proceedings, or

3. (amend. – SG, 105/14, in force from 1.1. 2014; amend. – SG 22/15, in force from 01.01.2014) are defined as establishments in a difficult dituation, or

4. (new – SG, 105/14, in force from 1. 1. 2014, amend. – SG, 95/2015, in force from 1. 1. 2016) independent or at the level of a group, this, or similar production activity is closed in an EU Member State or in another state – party of the EEAA 2 years before the date of submission of the application form for aid if at the moment of its submission they intend to close such a production activity within the term of 2 years after finalization of the first investment, for which the corporate tax will be abated.

(2) (new - SG 110/07, in force from 01.01.2007) Tax relief in form of de minimis aid shall not apply to:

1. taxable persons engaged in the sector of fishery and aquacultures according to Council Regulation (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products;

2. (new – SG, 105/14, in force from 1. 1. 2014) taxable persons carrying out primary production of agricultural products under Annex I to the Treaty on Functioning of the European Union;

3. (amend. - SG, 105/14, in force from 1. 1. 2014) taxable persons carrying out processing and

marketing of agricultural products under Annex I to the Treaty on Functioning of the European Union;

4. (repealed – SG, 105/2014, in force from 1. 1. 2014)

5. (repealed – SG, 105/2014, in force from 1. 1. 2014)

6. (amend. – SG, 105/2014, in force from 1. 1. 2014) investment in trucks, when provided to a taxable person, carrying out road transportation of loads for other people, or provided against a remuneration;

7. investment in assets, used for activities, related to export to third countries or Member States.

(3) (new - SG 110/07, in force from 01.01.2007) A tax relief in form of state aid for regional development may not be granted also to a taxable person in respect of whom any of the conditions referred to in Para 1 have arisen during the period of performing the initial investment.

(4) (new - SG 110/07, in force from 01.01.2007) A tax relief in form of minimal aid may not be granted to also a taxable person in respect of whom any of the conditions referred to in Para 2 have arisen during the investment period.

(5) (new - SG 95/09, in force from 01.01.2010; amend. – SG, 12/2015, amend. – SG 22/15, in force from 01.01.2014) A tax relief in the form of a state aid for agricultural producers, shall not apply to:

1. enterprises in a difficult situation;

2. taxable persons representing large enterprises;

3. investments in irrigation.

(6) (new - SG 22/15, in force from 01.01.2014) Tax reliefs which are state aid for regional development and for farmers, shall not apply to taxable persons which have not followed a decision of the European Commission for refunding of a received illegitimately and non-compatible state aid and have failed to refund the aid in full.

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Municipalities in which the unemployment rate is higher than the country's average unemployment rate

Art. 183. (1) (amend. – SG 1/14, in force from 01.01.2014, amend. – SG, 95/2015, in force from 1. 1. 2016) Municipalities in which the unemployment rate is above the country's average unemployment rate shall be determined annually for the purposes set out in **Art. 184, item 1** and Art. 189, p. 1, by way of an order of the Minister of Finance at the suggestion of the Minister of Labour and Social Policy, and the said order shall be promulgated in the State Gazette.

(2) (revoked - SG 95/09, in force from 01.01.2010).

(3) (amend. - SG 95/09, in force from 01.01.2010) A municipality the administrative centre of which is also a centre of another municipality shall be included in the list referred to in paras. 1 on the grounds of the weighted average rate of unemployment in the respective municipalities, this weighted average rate being determined on the grounds of the number of the economically active population therein.

(4) (new – SG, 95/2015, in force from 1. 1. 2016) The proposal of the Minister of Labour and Social Policy under Para. 1 for every year it shall be provided to the Ministry of Finance within the perm up to 31 January of the following year.

(5) (new – SG, 95/2015, in force from 1. 1. 2016) The order under Para. 1 shall be issued within the term of 3 working days from receiving the proposal of the Minister of Labour and Social Policy.

Tax relief in the cases of carrying out production activities in municipalities in which the unemployment rate is higher than the country's average unemployment rate

Art. 184. (amend. - SG 110/07, in force from 01.01.2007) The corporate tax on tax profit shall be assigned in amount of up to 100 per cent in those cases where the taxable person carries out production

activities, including work done with materials supplied by the customer, and all of the following conditions are present:

1. (amend. – SG 100/13, in force from 01.01.2014, amend. – SG, 95/2015, in force from 1. 1. 2016) the taxable person shall:

a) carry out production activities only in municipalities in which in the year preceding the current year the unemployment rate was with, or at least 25 percent higher than the country's average unemployment rate for the said period – in the cases of minimal assistance;

b) carry out production activity in fulfillment of a project for initial investment only in municipalities in which for the previous year before the year, in which an application form is submitted for assistance, there is unemployment with or above 25% higher than the average for the country in the same period – in the cases of state aid for regional development;

2. (new – SG 100/13, in force from 01.01.2014) during the all fiscal period the taxable person maintains not less than 10 job positions, and 50 per cent of them are being occupied directly in the carried out production activity;

3. (new – SG 100/13, in force from 01.01.2014) during the all fiscal period, not less than 30 per cent of the staff are persons, who have their permanent address in the municipalities as defined in Item 1;

4. (amend. - SG 110/07, in force from 01.01.2007; previous Item 2 – SG 100/13, in force from 01.01.2014) the conditions under following Articles are present:

a) **Art. 188** – in cases of de minimis aid, or

b) **Art. 189** – in cases of state aid for regional development.

Specific cases of assignment

Art. 185. (amend. – SG, 95/2015, in force from 1. 1. 2016) (1) Where, as a result of an increased employment rate, the municipality falls off the list of the municipalities referred to in **Art. 183**, the person that has acquired the right to assignment of the corporate tax under **Art. 184** in relation to **Art. 188**, shall preserve that right for the next 5 consecutive years, this period commencing from the year in which the municipality falls off the list, providing that the other conditions for assignment are present.

(2) The person, acquired the right to assignment of corporate tax under **Art. 184** in relation to **Art. 189**, shall keep this right for the project of initial investment for the taxation periods, indicated in the order of **Art. 189, p. 1, letter "b"** of the Bulgarian Investment Agency, but not later than 2020.

Investment tax input

Art. 186. (amend. - SG 110/07, in force from 01.01.2007; revoked - SG 95/09, in force from 01.01.2010)

Tax relief for cooperative societies

Art. 187. (revoked – SG 94/10, in force from 01.01.2011)

Tax relief in form of de minimis aid (Title amend. - SG 110/07, in force from 01.01.2007)

Art. 188. (amend. - SG 110/07, in force from 01.01.2007) (1) (amend. - SG 106/08, in force from 01.01.2009, amend – SG, 105/14, in force from 1. 1. 2014) There shall be a state relief in form of de minimis aid, when the amount of the de minimis aid granted to the taxable person in the course of the last three years including the current one, regardless of their form and source, does not exceed a threshold of the

BGN equivalent of EUR 200 000, and in respect of taxable persons involved in the road transport sector on other persons account or against remuneration – a threshold of the BGN equivalent of EUR 100 000, determined in accordance with the official exchange rate of the BGN towards the EUR. These thresholds shall apply irrespective of whether the aid is fully or partially financed with funds of the European Union. The amount of the granted de minimis aid shall also include:

1. the abated corporate tax of a taxable person for the last 3 years, including the corporate tax, which is to be abated for the current year with the exception of the abated corporate tax for which the conditions of **Art. 189** and **189b** have been fulfilled;

2. all previous aids for the last 3 years, including the current one, provided to some of the transforming companies, which are to be taken in consideration by the taxable person under Art. 3, Para. 8 and 9 of Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ, L 352/1 of 24 December 2013) as a result of transformation of the companies or transfer of an undertaking.

(2) (new – SG, 105/14, in force from 1. 1. 2014). Where on 31 December of the relevant year the taxable person is the same undertaking, the tax relief shall be present, where the sum of the received de minimis aid by all the persons, which are one and the same undertaking, during the last 3 years, including the current one, notwithstanding of their form or source of their acquiring, does not exceed the relevant threshold of the BGN equivalence under Para. 1.

(3) (amend. – SG 94/10, in force from 01.01.2011, former Para. 2 – SG, 105/14, in force from 1. 1. 2014) The assigned tax referred to in **Art. 184** shall be invested in long-term tangible or intangible assets according to the accounting legislation within 4 years from the beginning of the year for which the tax has been assigned.

(4) (new – SG, 105/14, in force from 1. 1. 2014) Where with the defined for assignment tax for the year the relevant threshold under Para. 1 and 2 will be exceeded, the taxable person, including taxable persons, which are one and the same undertaking, shall not use assignment for the whole amount of the tax, defined for assignment.

(5) (amend. - SG 95/09, in force from 01.01.2010, former Para. 3, amend. – SG, 105/14, in force from 1. 1. 2014) The assigned tax, invested in the assets referred to in Para 3, shall accumulate:

1. to the thresholds, defined in Para. 1 and 2 with another de minimis aid, provided under Regulation (EU) N 1407/2013 **of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid** and with de minimis aid, provided under other regulations for de minimis aid;

2. to the threshold, established by Commission Regulation (EU) N 360/2012 of 25 April 2011 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis for undertakings, providing services of common economic interest (OJ, L 114/8 of 26 April 2012) with de minimis aid, provided under this Regulation;

3. (amend. - SG 85/17) to the maximum admissible intensity of the relevant state aid, determined by a decision of the European Commission approving the aid concerned or evaluation under **Art. 28, Para. 1 of the State Aid Act** for these assets.

(6) (former Para. 4, amend. – SG, 105/14, in force from 1. 1. 2014). The taxable person shall declare in the annual tax statement for the year for which the corporate tax is assigned:

1. the amount of granted de minimis aid for the last three years including the current year, regardless of their form and source.

2. the amount of all previous aids for the last 3 years, including the current one, provided to some of the transforming companies, which are to be taken in consideration by the taxable person under Art. 3, Para. 8 and 9 of Commission Regulation 1407/2013 of 18 December 2013 on the application of Art. 107 and 108 of the Treaty on Functioning of the EU to the de minimis aid, as a result of transformation of the companies or transfer of an undertaking.

(7) (New – SG, 105/14, in force from 1. 1. 2014) In the cases, where the taxable person is one and

the same undertaking, the following shall also be declared:

1. all taxable persons, which are one and the same undertaking;

2. the amount of the received de minimis aid by the persons under p. 1, regardless of their form and source for the last 3 years, including the current one.

(8) (new – SG, 105/14, in force from 1. 1. 2014) In the cases under Para. 7, p. 2 the amount of the received de minimis aid shall be declared by the first taxable person, submitted the annual tax statement for the current year. The declared amount shall be used by all the taxable persons, which are one and the same undertaking.

Tax relief, which is state aid for regional development (Title amend. - SG 110/07, in force from 01.01.2007)

Art. 189. (amend. - SG 110/07, in force from 01.01.2007, amend. – SG, 95/2015, in force from 1. 1. 2016) The state aid for regional development in the form of assigned tax shall be provided for a project for initial investment while observing the following conditions:

1. general conditions:

a) a taxable person shall submit to the executive director of the Bulgarian Investment Agency a standard application form for assistance for regional development before beginning of the fulfillment of the project for initial investment latest;

b) a taxation person has received an order from the Bulgarian Investment Agency, in which for the project for initial investment under letter “a”:

aa) it has been confirmed, that the assistance has the needed stimulating effect, meeting one of the scenarios under p. 61 of the Guidelines for regional assistance for the period 2014 – 2020, the assistance does not cause the evident negative effects, described in p. 121 of the Guidelines for regional assistance for the period 2014 – 2020, as well as that all other admissible conditions have been observed, and

bb) the maximum amount, intensity and term of the assistance have been entered;

c) the procedure and way for issuance of the order under letter “b” shall be defined by an order of the Minister of Finance and the Minister of Economy;

2. conditions, which cause influence over the amount and intensity of the assistance:

a) the sum of the assigned taxes (assistance) in the run of fulfillment of the project for initial investment shall not exceed the amount of the assistance, defined by the order under p. 1, letter “b”;

b) decreasing the amount of the acceptable costs for the relevant initial investment shall not lead to exceeding the intensity of the assistance, defined in the order under p. 1, letter “b”;

c) the maximum intensity of the assistance shall be 50%, and for an initial investment, carried out in municipalities of the South region – 25%, calculated on the basis of the current value of the assistance to the current value of the total acceptable costs for initial investment, declared by the taxable person in the application form;

d) for the purposes of letters “a” – “c” , the value of the assistance and the value of the acceptable costs for material and non material assets shall be defined in the current value on the date of providing the assistance, while using the referent interest %, defined by the European Commission on that date;

e) the amount of the assistance for large undertakings shall comply with the net additional costs for realization of the initial investment in the relevant municipality in comparison with the comparable scenario without assistance; while calculating the amount if the assistance the method, described in p. 79 and 80 of the Guidelines for regional assistance for the period 2014 – 2020 with the maximum intensities of assistance as an upper limit;

3. conditions, related with acceptable costs, the initial investment and the assets, which are part of it:

a) the state aid in the form of assigned corporate tax shall be used for acquiring material and non material assets, which are part of the project for initial investment;

b) the initial investment shall be carried out within the term of up to 4 calendar years, including the year of receiving the order under p. 1, letter “b”;

c) the activity related to the initial investment shall continue within the same municipality for at least 5 years from the year of completion of the initial investment; this fact shall be stated annually by expiration of the 5 years term in the annual tax statements;

d) at least 25 percent of the value of the acceptable costs for tangible and intangible assets in the initial investment must be financed by way of the taxable person’s own means or borrowed ones; the assigned corporate tax and other means containing an element of State aid shall not be regarded as the taxable person’s own means or borrowed ones;

e). the tangible and intangible assets in the initial investment must have been acquired under market economy conditions corresponding to those between unrelated parties; the intangible assets in the initial investment shall be depreciable assets;

f). the amount of the admissible expenses for intangible assets in the initial investment shall not exceed 50 per cent of the amount of the admissible expenses for tangible and intangible assets in the initial investment;

g). the intangible assets in the initial investment shall be used only in the activity of a taxable person and shall be part of its assets for a term of at least 5 years;

h) for the assets under letter “a” the taxable person has not received neither of the following assistances:

aa) assistance in the meaning of Art. 107, Para. 1 of the Treaty on Functioning of the EU;

bb) minimal assistance, provided under all regulations for assistance *de minimis;*

cc) financial assistance under the Programme for Development of Rural Regions;

dd) every other public financial assistance form the state budget and/or from the EU budget;

i) for initial investment, related to diversification of the production of a production site with products, which it dose not produce, the acceptable costs shall exceed at least 200% the balance value of the assets, which are used repeatedly on 31 December of the year before beginning of the fulfillment of the project for initial investment;

j) the value of the acceptable costs for assets, included in the initial investment, related to a substantial change in the general production process, shall exceed the sum of the accounting costs for amortization of the assets, related to the activities, which will be modernized for the previous 3 reported periods;

4. additional conditions in the cases, where the initial investment is a part of a large investment project or of a single investment project:

a) (amend. – SG, 105/14, in force form 1. 1. 2014)Where a tax relief has been granted to a large investment project, which has received assistance from all the sources at a group level, the total amount of which exceeds the BGN equivalent of EUR 37,5 million, for first investment, carried out in municipalities in the South-west region – EUR 18,75 mln., calculated according to the official exchange rate of the BGN towards the EUR, the tax relief may be used during the specified year only if a positive decision of the European Commission has been received as a result of a notification, made under Art. 108, Para. 3 of the Treaty on Functioning of the EU; The Minister of Finance shall notify the European Commission under the **State Aid Act**; The taxable person shall be obliged to provide to the Minister of Finance the needed information for sending a notification to the European Commission.

b) (amend. – SG, 105/14, in force from 1. 1. 2014) For the purposes of letter a) the value of the aid and the value of the acceptable expenses for tangible and intangible assets in a large investment project shall be determined according to the current value at the date of notification of the European Commission under the order of Art. 108, Para 3 of the Treaty on Functioning of the EU, using the referent interest %, defined by the European Commission on that date;

c) where for a large investment project letter a) is not to apply, the tax relief may be used only if the corrected amount of the assistance for regional assistance for large investment projects has been observed,

as defined in p.20, letter c) of the Guidelines for regional assistance for the period 2014 – 2020;

d) for the purposes of letter c), the value of the assistance and the value of the acceptable costs for tangible and intangible assets, included in a large investment project shall be defined under the current value on the date of provision of the assistance by using the referent interest %, defined by the European Commission on that date;

e) in the cases, where assistance is provided for a project for initial investment, considered as a part of an investment project, the assistance of the taxable persons for this project shall be decreased for the acceptable costs, exceeding to 50 mln. EUR.

Art. 189a. **(*)** (new – SG 106/08, in force from 01.01.2009; revoked - SG 95/09, in force from 01.01.2010)

Tax relief in the form of a state aid for agricultural producers (new title - SG 95/09, in force from 01.01.2010; title amended – SG, 12/2015*)

Art. 189b. (new - SG 95/09, in force from 01.01.2010) (1) (amend. – SG, 12/2015*****) The corporate tax shall be remitted in the amount of up to 60 per cent to taxable persons, registered as agricultural producer, for their taxable profit from activity of production of non-processed plant and animal products.

(2) The corporate tax shall be remitted where the following requirements have been met in aggregate:

1. (suppl. – SG 22/15, in force from 01.01.2014) the remitted tax is invested into new buildings and new agricultural equipment, required for carrying out of the activity referred to in par. 1 and acquired by the end of the year, following the year, for which the remittance is applied;

2. the assets under item 1 are acquired under market conditions, corresponding to those for non-affiliated persons;

3. the activity under par. 1 must continue being carried out for a period of at least three years after the year of remittance; this circumstance shall be declared every year up to the expiration of the three- year term together with the annual tax returns;

4. (amend. - SG 22/15, in force from 01.01.2014) the remitted tax must not exceed 50 per cent of the current value of the assets under item 1, determined as of the date of granting of the aid; the interest rate for the purposes of determination of the current value of the assets under item 1 shall be the reference interest rate determined by the European Commission as of 31 December of the year of remittance;

5. (new - SG 22/15, in force from 01.01.2014) the current value of all assets under item 1 determined as of the date of granting of the aid may not exceed a limit of the equivalent in BG levs of EUR500.000; the interest rate for the purposes of determination of the current value of the assets under item 1 is the reference interest rate determined by the European Commission as of 31 December of the year of remittance;

6. (new - SG 22/15, in force from 01.01.2014) the limit referred to in item 5 may not be by-passed through artificial division of the assets under item 1;

7. (new – SG 105/14, in force from 01.01.2014, revoked - SG 22/15, in force from 01.01.2014);

8. (new – SG 19/11, in force from 08.03.2011; prev. item 5 - SG 22/15, in force from 01.01.2014) the assets under item 1 do not replace the existing assets;

9. (new – SG 19/11, in force from 08.03.2011; amend. – SG, 12/2015, prev. item 6 - SG 22/15, in force from 01.01.2014) as regards to the assets under item 1 the farmer is not e recipient (beneficiary) under any of the following aid:

a) aid within the meaning of Art. 107, paragraph 1 of the Treaty on the Functioning of the European Union;

b) (amend. – SG, 105/14, in force from 1.1.2014) minimum aid pursuant to Commission Regulation (EC) No 1408/2013 of 18 December 2013 on application of Articles, 107 and 108 of the Treaty

on Functioning of the EU to the de minimis aid in agricultural sector;

c) financial aid under the Rural Development Programme;

d) any other public financial aid from the national budget and/or from the European Union budget.

7. (new – SG, 105/14, in force from 1.1.2014) any taxable person, representing a large undertaking who has submitted to the territorial Directorate of the National Revenue Agency on its registration a standard application form, proposed by the Minister of Agriculture and Food and confirmed by the Minister of Finance, latest before beginning of investment of the tax, which will be assigned.

(3) (revoked – SG 19/11, in force from 08.03.2011)

(4) revoked – SG 19/11, in force from 08.03.2011)

Fulfillment of the Decision of state aid for Regional development

Art. 189c. (new – SG, 95/2015, in force from 1. 1. 2016) The fulfillment of the Decision of the European Commission for state aid for regional development under **Art. 189** shall be provided by the Bulgarian Investment Agency, the National Revenue Agency and the Ministry of Finance according to their competence, including:

a. from the Bulgarian Investment Agency – in relation to confirmation of the conditions and issuance of the order under **Art. 189, p. 1, letter "b"**;

2. from the National Revenue Agency – in relation to the control, reporting and transparency of the scheme;

3. from the Ministry of Finance – in relation to the management of the scheme and notification of the European Commission about all the plans for changes of the scheme under the **State Aid Act**.

Restrictions on the use of tax relief (Title amend. - SG 110/07, in force from 01.01.2007)

Art. 190. (amend. - SG 110/07, in force from 01.01.2007) (1) A taxable person shall not be entitled to more than one tax relief under this Section during the same year.

(2) (amend. – SG, 105/14, in force from 1. 1. 2014) The assets, in which an assigned tax has been invested according to **Art. 188, Para 3**, shall be excluded of the scope of the initial investment.

Section V.
Tax Relief in the Cases Where the Requirements Regarding Admissible State Aid for Employment Are Fulfilled (Revoked – SG 106/08, in force from 01.01.2009)

Taxable persons that may not enjoy tax relief

Art. 191. (revoked – SG 106/08, in force from 01.01.2009)

Tax relief for employment promotion

Art. 192. (revoked – SG 106/08, in force from 01.01.2009)

General conditions

Art. 193. (revoked – SG 106/08, in force from 01.01.2009)

Part three.
TAX WITHHELD AT THE SOURCE

Chapter twenty three.
OBJECTS OF TAXATION

Tax withheld from the income originating from dividends and liquidation shares

Art. 194. (1) Tax at the source is due on the dividends and liquidation shares distributed (personified) by local legal entities in favour of:

1. foreign legal entities, except for the cases in which the dividends are realized by a foreign legal entity through a business activity establishment within the country;

2. local legal entities that are not traders, including municipalities.

(2) The tax referred to in para. 1 shall be final and shall be withheld by local legal entities distributing dividends or liquidation shares.

(3) Para. 1 shall not apply where the dividends and liquidation shares are distributed in favour of:

1. a local legal entity which participates in the capital of a company as a representative of the State;

2. contractual fund;

3. (new – SG 69/08, in force from 01.01.2009; amend. – SG 106/08, in force from 01.01.2009; suupl. - SG 95/09, in force from 01.01.2010) a foreign legal entity, which is a local persons for taxation purposes of a Member State of the European Union or of another state – party to the Agreement on European Economic Area, except for the cases of hidden distribution of profit.

Tax withheld from the income of foreign persons

Art. 195. (1) (suppl. – SG 94/10, in force from 01.01.2011) Where the income of foreign legal entities from a source within the country specified in **Art. 12, Para 2, 3, 5 and 8** is not realized through a business activity establishment within the country, and the income of foreign legal entities from a source within the country specified in **Art. 12, Para 9**, established in preferential tax regime jurisdictions, if not realised thought a place of business activity within the country, the said income shall be subject to tax at the source, and that tax shall be final.

(2) (amend. – SG 94/10, in force from 01.01.2011) The tax under para. 1 shall be withheld by the local legal entities, the sole proprietors or the business activity establishments within the country that assess the income of the foreign legal entities, with the exception of the income under **Art. 12, Para 3 and Para 8, Item 2**.

(3) (amend. – SG 94/10, in force from 01.01.2011) Where the payer of the income is not a taxable person under **Art. 2**, and when the income is one of those referred to in **Art. 12, Para 3 and Para 8, Item 2**, the tax shall be withheld by the recipient of the income.

(4) (Amend. – SG, 96/19, in force from 01.01.2020) Para. 1 and 2 shall also apply where a foreign person, through a place of business in the country, accrues the indicated income to other parts of his undertaking, located outside the country in the following cases:

1. the particular transfer coincides with the usual transactions, made through that part of the undertaking, located outside the country and directed to third parties, or

2. the ordinary activities, carried out through that part of the undertaking, located outside the country consists of similar transfers to other parts of the undertaking, or

3. the object of the transfer is intended to be realized in a modified or unmodified form to another person.

(5) The advance payments in connection with the income referred to in para. 1 shall not be subject to taxation with a tax at the source.

(6) (new – SG 100/13, in force from 01.01.2014) At the source shall not be taxed:

1. (suppl. - SG 107/14, in force from 01.01.2015) incomes form interest from bonds or from other debt securities, issued by a local legal person, the state and municipalities and admitted to trade on a regulated market in the country or in a Member of the European Union state, or in another state – a party to the Agreement on the European Economic Area;

2. incomes from interests on a loan, disbursed by a foreign person – an issuer of bonds and other debt securities, where simultaneously the following conditions present:

a) the issuer is a local person for taxation purposes of a Member of the European Union State or another State – party to the European Economic Area Agreement;

b) the issuer had issued bonds or the other debt securities with the purpose to provide the inflows from them as a loan to a local legal person;

c) bonds or the other debt securities was admitted to trade on a regulated market in the country or in a Member of the European Union State, or of another country – party to the European Economic Area Agreement.

3. (new – SG, 105/14, in force from 1. 1. 2015) the interest revenues, copy rights and license remunerations under the conditions of Para. 7 – 12.

(7) (new – SG, 105/14, in force from 1. 1. 2015) The interest revenues, copy rights and license remunerations shall not be taxed at the source. Where the following conditions have been fulfilled:

1. the owner of the income is a foreign legal person from a Member State of the European Union, or a location of economic activity in a Member State of the European Union of a legal person from a Member State of the European Union;

2. the local legal person who is payer of the income or the person, whose location of economic activity in the Republic of Bulgaria is payer of the income, is a related person to the foreign legal person – owner of the income, or to the person whose location of economic activity is owner of the income.

(8) (new – SG 105/14, in force from 01.01.2015) Incomes from interests, copyrights and license remunerations may not be taxed at the source and before expiration of the term envisaged in Para 12, Item 2 under the condition that to the moment of calculation of the taxable income, possession of the required minimum of the capital has not been interrupted.

(3) (new – SG 105/14, in force from 01.01.2015) In the cases of Para 8, where possession of the required minimum of the capital has been interrupted before the elapse of the minimal two-years term, for the releaved under Para. 8 incomes from interests, copyright and license remunerations taxed under Para 2, fiscal rate of 10 per cent shall be applied. The due tax and license remunerations shall be taxed at the source by applying tax of 10 per cent. For the due tax at the source, a delay penalty for the period from the date on which the tax should be paid at the source shall be due.

(10) (New – SG 105/14, in force from 01.01.2015) Where income not taxable from interests, copy rights and license remuneration has been taxed the owner of the income shall be entitled to request restoration of the tax. The restoration shall be carried out under the order and within the time limits set out in the **Tax-Insurance Procedure Code** not later than one year from filing the request for restoration.

(11) (New – SG 105/14, in force from 01.01.2015) Para 7, 8, 9 and 10 shall not apply to:

1. income representing distribution of profit or restoration of capital;

2. income from debt receivables entitling to a share from the profits of the debtor;

3. income from debt receivables entitling the creditor to exchange his right to interest for the right to a share from the profits of the debtor;

4. income from debt receivables lacking a clause for repayment of the capital or the repayment is due more than 50 years from the date of emission of the debt;

5. income qualifying as non-recognised for taxation purposes costs of a location of economic activity in the Republic of Bulgaria, except those referred to in **Art. 43**;

6. income accrued by a foreign legal person from a non-Member State of the European Union through a location of economic activity in the Republic of Bulgaria;

7. income from transactions which primary objective or one of the primary objectives is diversion or avoidance of double taxation.

(12) (New – SG 105/14, in force from 01.01.2015) For the purposes of Para. 7 - 11:

1. foreign legal person from a Member State of the European Union shall be every foreign legal person meeting the following conditions:

a) the legal form of the foreign legal person complies to **Appendix No 5**;

b) the foreign legal person in accordance with the applicable tax laws is considered to be resident for tax purposes in that Member State of the European Union and is not, within the meaning of a Double Taxation Agreement concluded with a third state, considered to be resident for tax purposes of a state outside the European Union;

c) the foreign legal person is subject to one of the taxes listed in **Annex No 6** without being exempt, or to a tax which is identical or substantially similar and which is imposed in addition to, or in place of, these taxes;

2. a person is "associated person" of a second person, if at the moment of income accrual at least:

a) the first person has a direct holding for the period of at least 2 years of 25 % at least in the capital of the second person;

b) the second person has a direct holding for the period of at least 2 years of 25 % at least in the capital of the first person.

c) a third person, which is a local legal person of a foreign legal person from an EU Member State has a direct holding of 25 % at least both in the capital of the first person and in the capital of the second person for a period of two years at least .

3. the foreign legal person shall be treated as the owner of the income only if it receives this income for its own benefit and not as an intermediary or agent for some other person;

4. a location of economic activity shall be treated as the owner of the income, if all of the following conditions have been met:

a) the debt-claim, right or use of information in respect of which interest or copyright and royalty payments arise is effectively connected with that location of economic activity;

b) the interest or copyright and royalty payments represent income in respect of which that location of economic activity is subject in the Member State of the European Union in which it is situated to one of the taxes mentioned in **Annex No 6** or in the case of Belgium to the "impot des non-residents/belasting der niet-verblijfhouders" or in the case of Spain to the "Impuesto sobre la Renta de no Residentes" or to a tax which is identical or substantially similar and which is imposed in addition to, or in place of, those existing taxes.

Securities traded in a regulated market

Art. 196. (amend. – SG 106/08, in force from 01.01.2009) No tax at the source shall be due on income from disposal of financial instruments under **§ 1, Item 21** of the Additional Provisions.

Chapter twenty four.
BASIS OF TAXATION

Basis of taxation for the tax withheld at the source from the income from dividends

Art. 197. The basis of taxation for determining the tax withheld at the source from the income from

dividends shall be the gross amount of the distributed dividends.

Basis of taxation for the tax withheld at the source from the income from liquidation shares

Art. 198. The basis of taxation for determining the tax withheld at the source from the income from liquidation shares shall be the difference between the market price of the shares due to the respective shareholder or partner and the acquisition price of his stocks and shares, this price being evidenced with documents.

Basis of taxation for the tax withheld at the source from the income of foreign persons

Art. 199. (1) The basis of taxation for determining the tax withheld at the source from the income referred to in **Art. 195, para. 1** shall be the gross amount of the said income, with the exception of the cases under paras. 3 and 4.

(2) The basis of taxation for determining the tax withheld at the source from the interest income of foreign legal entities under financial lease contracts shall be determined on the grounds of the market interest, unless the contract provides otherwise.

(3) The basis of taxation for determining the tax withheld at the source from foreign persons' income originating from actions of disposal of financial assets shall be the positive difference between their sale price and their acquisition price, the latter being evidenced with documents.

(4) The basis of taxation for determining the tax withheld at the source from foreign persons' income originating from disposal of immovable property shall be the positive difference between the sale price of the property and the acquisition price of the property, the latter being evidenced with documents.

(5) For the purposes of paras. 3 and 4, the sale price shall be the consideration under the transaction, including the remuneration other than money assessed in accordance with the market prices as at the date of assessing the income.

(6) In those cases where a financial lease contract is terminated prior to the expiry thereof and without transferring the ownership of the respective assets forming the subject matter of the contract, those lease contributions which are not subject to repayment shall be regarded as income originating from the use of property, this income being received by the foreign legal entity at the time of termination of the contract. The tax withheld at the source and paid on interest income until the lease contract is terminated shall be deducted from the tax due at the source on the income originating from the use of property.

Chapter twenty five.
TAX RATES

Tax rates

Art. 200. (1) (amend. - SG 110/07, in force from 01.01.2008) The tax rate of the income tax referred to in **Art. 194** shall be 5 percent.

(2) (suppl. – SG, 94/2010, in force from 1. 1. 2011, amend. – SG, 105/14, in force from 1.1.2015) The tax rate of the tax over the incomes under **Art. 195** shall be 10%.

Tax rate for interest, copyright and royalty payment taxes

Art. 200a (New – SG, 94/2010, in force from 1. 1. 2011, amend, - SG, 100/2013, in force from

1.1.2014, repealed – SG, 105/14, in force from 1. 1. 2015)

Chapter twenty six.
DECLARING THE TAX

Declaring the tax. Certificate of tax paid on foreign persons' income. Providing information for automatic exchange (Title amend. – SG 109/13, in force from 01.01.2014)

Art. 201. (suppl. - SG 110/07, in force from 01.01.2008; amend. – SG 94/10, in force from 01.01.2011; amend. – SG 94/12, in force from 01.01.2013) The persons obliged to withhold and pay tax at the source under Arts. 194 and 195 shall declare the due tax for the quarter through a declaration according to a form by the end of the month following the quarter. The declaration shall be filed with territorial directorate of the National Revenue Agency either by registration of the payer of the income or by the place in which the payer of the income must have registered.

(2) In those cases where the payer of the income is not subject to registration, the tax return shall be filed with the territorial directorate of the National Revenue Agency in Sofia.

(3) (suppl. – SG 23/13, in force from 08.03.2013) In those cases where the payer of the income is a person that is not obligated to withhold and pay a tax, the tax return shall be filed by the recipient of the income within the term fixed in para 1.

(4) Upon the request of the person concerned, a certificate of a standard form shall be issued regarding the tax paid under this Act on the income of foreign legal entities. The said certificate shall be issued by the territorial directorate of the National Revenue Agency in which the declaration under Para 1 is filed or should be filed.

(5) (new – SG 109/13, in force from 01.01.2014, amend. – SG, 105/14, inforce from 1.1.2015, amend. - SG 98/18, in force from 01.01.2019) By the declaration under para 1 the persons required to deduct and pay withholding tax under Art. 195 or the recipients of income referred to in para 3 shall provide information on the income under Art. 143h, para 1, items 2 and 6 from the Tax-Insurance Procedure Code for the purposes of automatic exchange. The information shall be provided annually by the declaration being submitted for the fourth quarter of the relevant year, where in transformation the information shall be drawn up and provided to the assigner. In case of deletion/termination of the taxable person, the information shall be provided in the declaration under Para. 7.

(6) (new – SG 109/13, in force from 01.01.2014) The procedure under para 5 shall also be implemented by foreign legal entities realizing their income under Art. 143h, para 1, items 2 and 6 from the Tax-Insurance Procedure Code through place of business in the Republic of Bulgaria.

(7) (New - SG 98/18, in force from 01.01.2019) Upon deletion / termination of the taxable person, the declaration shall be submitted by the persons under Art. 161, Para. 7 within the term and by the procedure for submitting the tax return under Art. 162.

Chapter twenty seven.
PAYING THE TAX

Paying the tax

Art. 202. (1) (amend. – SG 94/12, in force from 01.01.2013) The payers of income that have withheld the tax at the source under Art. 194 shall be obligated to pay the taxes due by the end of the month following the quarter, in which the decision for allocation of dividends or liquidation shares is taken.

(2) (amend. – SG 94/12, in force from 01.01.2013) The payers of income withholding a tax at the

source under Art. 195 shall be obligated to pay the taxes due by the end of the month following the quarter of receipt of the income.

(3) The tax due under paras. 1 and 2 shall be paid in the respective territorial directorate of the National Revenue Agency by registration of the payer of the income or by the place in which the payer of the income must have registered.

(4) (amend. – SG 94/10, in force from 01.01.2011) Where the payer of the income is not a taxable person under Art. 2, and the income is not one of those referred to in Art. 12, Para 3 and Para 8, Item 2, the tax shall be paid by the recipient of the income within the time limits specified in para. 2, the income being regarded as assessed on the date on which it is received by the foreign legal entity. The tax due shall be paid in the respective territorial directorate of the National Revenue Agency either by registration of the payer of the income or by the place in which the payer of the income must have registered. In those cases where the payer of the income is not subject to registration, the tax shall be paid in the territorial directorate of the National Revenue Agency in Sofia.

(5) The overpaid tax shall be recovered by the territorial directorate of the National Revenue Agency in which the tax is payable.

(6) (New - SG 98/18, in force from 01.01.2019) Upon deletion / termination of the taxable person, the tax shall be paid within the terms for its declaration by the persons under Art. 161, Para. 7.

Re-calculation of the tax at source(new title - SG 95/09, in force from 01.01.2010)

Art. 202a. (new - SG 95/09, in force from 01.01.2010) (1) A foreign legal entity which is not a local person for tax purposes of an European Union Member State or of another country- a party under the European Economic Area Agreement, shall be entitled to choose to recalculate the tax at source of income under **Art. 12, par. 2, 3, 5 and 8**. Where the foreign person chooses to recalculate the tax at source, the recalculation shall be done for all received by him/her income under Art. 12, par. 2, 3, 5 and 8 over the year.

(2) Where the foreign person chooses to recalculate the tax at source on the received by him/her income, the recalculated tax shall be equal to the corporate tax, which would have been payable for that income, provided that they are received by a local legal entity. Where the foreign person has incurred expenses, related to the income under sentence one, for which tax on expenses would have been payable, provided that they have been incurred by a local legal entity, the amount of the recalculated tax shall be increased by this tax.

(3) Where the amount of the deposited tax at source under **Art. 195, par. 1** exceeds the amount of the recalculated tax under par. 2, the difference shall be refundable up to the amount of the tax at source under Art. 195, par. 1, which the foreign person cannot deduct from the tax payable to the state, where it is a local person.

(4) The choice of recalculating the tax at source shall be exercises by submitting an annual tax return in an approved form. The tax return shall be submitted by the foreign person to the Territorial Directorate of the National Revenue Agency – Sofia, not later than 31 December of the year, following the year of calculation of incomes.

(5) Tax refund under par. 3 shall be done according to the provisions of the Core of Tax Insurance Procedure by the Territorial Directorate of the National Revenue Agency.

(6) Paragraphs 1 – 5 shall not apply where the foreign person is a local person for tax purposes of a country – a party under the European Economic Area Agreements, which is not a European Union Member State, with which the Republic of Bulgaria:

1. does not have an enforced agreement for avoidance of double taxation, or

2. has got an enforced agreement for avoidance of double taxation, where the following is not provided:

a) exchange of information, or

b) cooperation in collection of taxes.

Responsibility

Art. 203. Where the tax referred to in **Art. 194** and **195** has not been duly withheld and paid, the persons liable with regard to the respective income shall be jointly responsible for it.

Part four.
TAX ON EXPENSES

Chapter twenty eight.
GENERAL PROVISIONS

Objects of taxation

Art. 204. (1) (prev. Art. 204 – SG 75/16, in force from 01.01.2016) 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); the social expenses provided in kind shall also include:

a) (amend. – SG 106/08, in force from 01.01.2009) expenses of contributions (premiums) for additional voluntary insurance, for voluntary health insurance and for life insurance;

b) the expenses of vouchers for food;

3. (revoked - SG 75/16, in force from 01.01.2016) the expenses connected with the operation of vehicles in those cases where managerial activity is performed therewith.

4. (new - SG 75/16, in force from 01.01.2016) the expenses in kind associated with own, leased and/or provided for use assets provided for personal use and/or related to the use of staff by workers, employees and persons hired under management and supervision contracts (employees), as well as by persons exercising personal work within the meaning of § 1, item 26, sub-item “i” of the additional provisions of the law on income tax of individuals.

(2) (new - SG 75/16, in force from 01.01.2016) Paragrapj 1 shall also apply where the accounting of amounts under par. 1, items 1, 2 and 4 do not result in a reduction in the financial result for the year of their accounting reporting.

Social expenses which are not in kind

Art. 205. Those social expenses which are not in kind and constitute income of a natural person shall be taxed in accordance with the terms and procedure set forth in the **Income Taxes on Natural Persons Act**.

Recognition of the tax on expenses

Art. 206. (1) The expenses and the tax thereon shall be recognized for tax purposes in the year in which they are assessed, and shall not form a tax temporary difference under **Chapter Eight**.

(2) The tax on expenses shall be final.

Taxable persons

Art. 207. (1) (amend. – SG 75/16, in force from 01.01.2016) The persons liable for the tax referred to in **Art. 204, par. 1, items 1** shall be the persons subject to taxation with corporate tax.

(2) (suppl. – SG 75/16, in force from 01.01.2016) The persons liable for the tax referred to in **Art. 204, par. 1, item 2** shall be all employers or assignors under management and supervision contracts.

(3) (new – SG 75/16, in force from 01.01.2016) Taxable persons under **art. 204, para. 1, item 4** are all employers or contractors under contracts for management and control or relationships for personal work within the meaning of § 1, item 26, subitem “i” of the additional provisions of the act on income tax of individuals.

Exemption from taxation of social expenses of contributions and premiums for additional social insurance and life premiums

Art. 208. (suppl. – SG 75/16, in force from 01.01.2016, amend. - SG 104/20, in force from 01.01.2021) The social expenses under **Art. 204, par. 1, item 2, letter "a"** at the monthly amount of up to BGN 60 per an employed person shall not be taxable, where, at the end of the month in which the costs are charged, the taxable person has no enforceable public obligations. For the purposes of the previous sentence, there are no liabilities when at the end of the month in which the expenses were accrued, the liabilities were not reflected in the tax-insurance account or are not recorded as brought for enforcement in the National Revenue Agency.

Exemption from taxation of social expenses of vouchers for food

Art. 209. (1) (amend. – SG 106/08, in force from 01.01.2009; suppl. – SG 75/16, in force from 01.01.2016, amend. - SG 104/20, in force from 01.01.2021) No tax shall be due on the social expenses referred to in Art. 204, par. 1, item 2, letter "b" amounting to up to BGN 80 per month, provided in the form of vouchers for food for an employed person, where all of the following conditions are present:

1. (amend. - SG 110/07, in force from 01.01.2008) the person’s negotiated basic monthly remuneration for the month in which the voucher is provided is not lower than the person’s average negotiated monthly basic remuneration for the preceding three months;

2. (amend. - SG 104/20, in force from 01.01.2021) at the end of the month in which the voucher costs are charged, the taxable person has no enforceable public liabilities; for the purposes of the previous sentence there are no liabilities when at the end of the month in which the costs are charged, the liabilities were not reflected in the tax-insurance account or are not recorded as brought for enforcement in the National Revenue Agency.

3. the vouchers are provided to the taxable person by a person having permission for carrying out activities as an operator, this permission being given by the Minister of Finance on the grounds of a competition;

4. (revoked – SG 94/10, in force from 01.01.2011)

5. (revoked – SG 94/10, in force from 01.01.2011)

(2) In order for a person to acquire the right to carrying out activities as an operator, he must have obtained permission from the Minister of Finance and must:

1. have fixed (registered) capital of at least BGN 2 million at the time of filing the documents for obtaining permission;

2. be registered under the Value Added Tax Act;

3. not be a party in bankruptcy proceedings and must not have gone into liquidation;

4. have no enforceable public liabilities at the time of filing the documents for obtaining permission;

5. be represented by persons who:

a) (suppl. - SG 103/17, in force from 01.01.2018) have not been convicted of intentional crime of a general nature unless they have been rehabilitated as for the Bulgarian citizens, the fact of the conviction shall be established ex officio;

b) have not been members of a management body or a supervisory body of a company that was declared bankrupt in the two years preceding the date of the decision on opening bankruptcy proceedings, if there have been unsatisfied creditors.

6. (new - SG 98/18, in force from 01.01.2019) has a model of a food voucher which meets the following requirements:

a) contains a series and a number enabling it to be individualized and traceable;

b) contains the company name, seat and management address of the operator, their unique identification code determined by the Registry Agency, respectively the unified BULSTAT identification code;

c) contains the company name, the unique identification code determined by the Registry Agency, respectively the employer's unique BULSTAT identification code;

d) contains a nominal value of the food voucher (expressed in numeric and in words), determined in levs (BGN);

e) contains the term of validity of the food voucher;

f) contains an explicit ban on the purchase of wine, spirits, beer and tobacco products through food vouchers;

g) contains an explicit prohibition to return any change up to the nominal value of the voucher provided;

h) contains at least five means of protection;

i) contains a place for the date and stamp of the supplier;

j) contains the unique number of the individual quota received by the operator, under which the food voucher is provided;

k) contains the date of issue of the order of the individual quota received by the operator, under which the food voucher was provided.

(3) (Amend. – SG 106/08, in force from 01.01.2009, amend. - SG 98/18, in force from 01.01.2019) The The permit shall be issued by the Minister of Finance on the basis of a competition. Refusal to grant a permit shall be effected by a motivated written order of the Minister of Finance to any candidate who does not meet any of the requirements under Para. 2, or who has provided untrue data or information. The permit shall be revoked when the operator:

1. does not fulfil any of the requirement under Para 2, 8 and 9 any more;

2. discontinue the activity;

3. was not operating during the preceding two years, for which he has received the first individual quota for the year before the previous;

4. he has issued to employers food vouchers according to a granted individual quota for issuing food vouchers, where their nominal value exceeds that individual quota, or has issued food vouchers without having been granted an individual quota.

(4) The issue of permission, the refusal to issue permission and the revocation of the permission issued shall be performed by way of a written Ordinance of the Minister of Finance.

(5) The refusal to issue permission and the revocation of the permission issued may be challenged in accordance with the procedure set forth in the Administrative Procedure Code.

(6) The procedure for holding the competition, issuing and revoking the permission, printing out the vouchers, as well as the number of the vouchers issued, the conditions of organizing and exercising control over the activity as an operator shall be determined by way of an Ordinance of the Minister of

Labour and Social Policy and the Minister of Finance.

(7) (new – SG 94/10, in force from 01.01.2011) The total annual quota for granting food vouchers shall be approved in the Act on the State Budget of the Republic of Bulgaria for the respective year.

(8) (new – SG 94/10, in force from 01.01.2011) The operator shall use the amounts received from the employers for the food vouchers issued to them only for bank payments to the suppliers, who have signed service contracts with the operator, or for reimbursement of the nominal value of the food vouchers demanded by employers, where the permit of the operator has been withdrawn.

(9) (new – SG 94/10, in force from 01.01.2011) The operator shall sign service contracts only with suppliers registered under the Law on the Value-Added Tax.

Exemption from taxation of social expenses of transportation of workers and employees, and the persons employed under management and supervision contracts

Art. 210. (1) (suppl. – SG 75/16, in force from 01.01.2016) The tax referred to in **Art. 204, par. 1, item 2** shall not be due on the social expenses of transportation of workers and employees, and the persons employed under management and supervision contracts from the place of residence to the place of work and backwards.

(2) Para. 1 shall not apply where the transportation is carried out with a car or using additional bus lines.

(3) Para. 1 shall also apply where the workers and employees are transported with a car to a region difficult of access, or a remote region and without the said expense the taxable person shall not be able to exercise his activity.

Chapter twenty nine.
BASIS OF TAXATION

Basis of taxation for the tax on expenses of representation

Art. 211. (amend. – SG 94/12, in force from 01.01.2013; suppl. – SG 75/16, in force from 01.01.2016) The basis of taxation for determining the tax on the expenses referred to in **Art. 204, par. 1, item 1** shall be the expenses assessed for the calendar year.

Basis of taxation for the tax on social expenses provided in kind

Art. 212. (amend. – SG 94/12, in force from 01.01.2013; suppl. – SG 75/16, in force from 01.01.2016) The basis of taxation for determining the tax on the expenses referred to in **Art. 204, par. 1, item 2** shall be the assessed social expenses provided in kind decreased by the income relating to the said expenses, for the calendar year.

Basis of taxation for the tax on social expenses of contributions (premiums) for additional social insurance and life premiums

Art. 213. (1) (new – SG 94/12, in force from 01.01.2013; suppl. – SG 75/16, in force from 01.01.2016) The tax basis for determining the tax on the expenses under **Art. 204, par. 1, item 2, Letter "a"** shall be the sum of the tax bases for the months of the calendar year determined under Para 2 and 3.

(2) (prev. text of Para 01, suppl. – SG 94/12, in force from 01.01.2013; suppl. – SG 75/16, in force

from 01.01.2016) The basis of taxation for determining the tax on the expenses for the calendar month referred to in **Art. 204, par. 1, item 2, letter "a"** shall be the excess of these expenses over BGN 60 per month per each employee.

(3) (prev. text of Para 02, suppl. – SG 94/12, in force from 01.01.2013, amend. - SG 107/20, in force from 01.01.2021) When the condition for exemption from tax under **Art. 208** is not met, the basis of taxation for determining the tax on the expenses shall be the whole amount of the assessed expenses for the calendar month.

Basis of taxation for the tax on social expenses of vouchers for food

Art. 214. (1) (new – SG 94/12, in force 01.01.2013; suppl. – SG 75/16, in force from 01.01.2016) The basis of taxation for determining the tax on the expenses under **Art. 204, par. 1, Item 2, Letter "b"** shall be the sum of the tax bases for the months of the calendar year, determined under Para 2 and 3.

(2) (amend. – SG 106/08, in force from 01.01.2009; prev. text of Para 01, suppl. – SG 94/12, in force from 01.01.2013; suppl. – SG 75/16, in force from 01.01.2016, amend. - SG 107/20, in force from 01.01.2021) The basis of taxation for determining the tax on the expenses for the calendar month referred to in **Art. 204, par. 1, item 2, letter "b"** shall be the excess of these expenses over BGN 80 per month per each employee.

(3) (prev. text of Para 02, suppl. – SG 94/12, in force from 01.01.2013) Where the conditions for tax exemption referred to in **Art. 209** are not fulfilled, the basis of taxation for determining the tax on the expenses shall be the whole amount of the assessed expenses for the calendar month.

Basis of taxation for the tax on the expenses connected with maintenance, repair and operation of transport vehicles

Art. 215. (revoked– SG 75/16, in force from 01.01.2016)

Tax base for the tax on expenditure in kind

Art. 215a. (new – SG 75/16, in force from 01.01.2016) (1) The tax base for the determination of the tax expenditure under **art. 204, para. 1, item 4** is the sum of expenditure in kind, associated with own, leased and/or provided for use assets provided for personal use and/or related to the use of the staff, for the calendar year.

(2) In determining the tax base under para. 1 for the cost in kind relating to vehicles, the expenses are related to private use, where the total amount of all costs associated with the vehicle, are multiplied:

1. by the ratio:

a) between the mileage travelled for private use and the total number of kilometres travelled by the respective vehicle or

b) between the hours of personal use of the vehicle and the total hours of use of the vehicle, or

2. 50 per cent.

(3) For determination of the tax basis under para. 1 for expenditures in kind, related to real estate, where they cannot be distributed by measuring the costs relate to private use, such as the total of all costs relating to the immovable property, shall be multiplied by the ratio:

1. between the area used for personal use, and the total area of the property, or

2. between the hours of use of the respective immovable property and the total hours of use of the real estate

(4) For determination of the tax basis under para. 1 for expenditures in kind, related to the assets, other than those referred to under par. 2 and 3, the tax base is 20 per cent of the total amount of all costs

related to the asset unless the taxpayer justifies the amount of other documentary basis.

Chapter thirty .
TAX RATE, STATEMENT AND PAYMENT OF THE TAX ON EXPENSES (TITLE AMEND. - SG 110/07, IN FORCE FROM 01.01.2007)

Tax rates

Art. 216. (suppl. - SG 75/16, in force from 01.01.2016, amend. - SG 17/22, in force from 01.01.2022) The tax rate of the tax on expenses referred to in **Art. 204, para. 1, item 1 and 2** shall be 10 per cent.

(2) The tax rate of the tax on expenses under **Art. 204, para. 1, item 4** is 3 per cent.

Tax and paying the tax (Title amend. - SG 110/07, in force from 01.01.2007)

Art. 217. (1) (new - SG 110/07, in force from 01.01.2007) The tax on expenses shall be stated in an annual tax statement, submitted by the taxable person.

(2) (prev. text of Art. 217 - SG 110/07, in force from 01.01.2007; amend. – SG 94/12, in force 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) The tax on expenses shall be payable until 30 June of the following year.

(3) (new - SG 75/16, in force from 01.01.2016) Taxable persons declare their choice under art. 24, para. 3 of the Natural Persons Income Tax Act for the current year in the annual tax return submitted for the previous year.

(4) (new – SG 97/16, in force from 01.01.2017, suppl. - SG 98/18, in force from 01.01.2019) Newly established taxable persons shall declare their choice under Para. 3 for the year of their establishment in the annual tax return, submitted for the same year. Persons, who for the previous year have not been obliged and have not filed an annual tax return, shall declare their choice under Para. 3 with the annual tax return for the current year.

(5) (New - SG 98/18, in force from 01.01.2019) Upon deletion / termination of the taxable person, the tax on the expenses shall be declared and paid by the persons under Art. 161, Para. 7 within the term and under the procedure for submitting the tax return and for the payment of the tax under Art. 162 and 163.

Chapter thirty "a".
TAX OVER THE ADDITIONAL EXPENSES OF THE MPS (NEW – SG, 105/14, IN FORCE FROM 1. 1. 2015)

Subject to taxation

Art. 217a. (new – SG, 105/14, in force from 1. 1. 2015) The additional expenses of the MPs shall be taxed by tax over the expenses.

Taxable person

Art. 217b. (new – SG, 105/14, in force from 1. 1. 2015). Taxable person for the tax under **Art. 217a** shall be the National Assembly of the Republic of Bulgaria.

Basis of taxation

Art. 217c. (new – SG, 105/14, in force from 1. 1. 2015) The basis of taxation for defining the tax over the additional expenses of the MPs shall be accrued expenses for the calendar year.

Tax rate

Art. 217d. (new – SG, 105/14, in force from 1. 1. 2015) The tax rate of the tax under **Art. 217a** shall be 10%.

Declaring and payment of the tax

Art. 217e. (new – SG, 105/14, in force from 1. 1. 2015) (1) The tax over the additional expenses of the MPs shall be declared with a standard tax declaration, which shall be filed within the term of up to 31 December of the relevant year in the territorial directorate of the National Revenue Agency upon registration of the National Assembly of the Republic of Bulgaria.

(2) The tax over the additional expenses of the MPs shall be paid by 31 December of the relevant year.

Part five.
ALTERNATIVE TAXES

Chapter thirty one.
GENERAL PROVISIONS

Alternative tax

Art. 218. (1) The taxable persons specified in this Part shall be liable for alternative tax on the activities specified herein, instead of corporate tax.

(2) Except for the State-budget enterprises, the persons referred to in para. 1 shall be liable for corporate tax on all the other activities.

Alternative Tax upon Deletion/Termination

Art. 218a. (New - SG 98/18, in force from 01.01.2019) (1) The last representative of the taxable person – a liquidator, trustee, the one representing the permanent establishment, unincorporated company or insurance fund shall declare and pay the due tax deducted from the taxpayer's property, the filing period of which expires after the date of deletion/termination.

(2) In the cases under Para. 1, the tax for the tax period during which the deletion / termination has been effected shall be declared and paid within 30 days from the date of deletion / termination.

(3) (Amend. - SG 104/20, in force from 01.01.2021) Where the date of deletion / termination is before 30 June and the annual tax return for the previous year has not been filed, it shall be filed within the term under Para. 2 when it expires before 30 June.

Chapter thirty two.
TAX ON GAMBLING ACTIVITIES

Section I.
General Provisions

Accounting

Art. 219. (amend. – SG 94/12, in force 01.01.2013) (1) The taxable persons under this Chapter shall have to keep detailed accountancy and store information that is sufficient for establishing their obligations under this Act by the income authorities of the National Revenue Agency.

(2) (revoked – SG 1/14, in force from 01.01.2014)

(3) (revoked – SG 1/14, in force from 01.01.2014)

(4) (new – SG 15/13, in force from 01.01.2013, repealed - SG 69/20)

(5) (new – SG 15/13, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) The taxable persons under this Chapter shall submit an annual activity report between March 1 and June 30 of the following year at the respective territorial directorate of the National Revenue Agency at the place of registration of the taxable person.

Section II.
Tax on Gambling Activity of Toto and Lotto, Betting Games on Results of Sports Competitions and Horse and Dog Racing, Betting Games on Chance Events and Bets related to Guessing Facts, including such Organised from Distance (Title amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

General provisions

Art. 220. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Taxable persons

Art. 221. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Basis of taxation

Art. 222. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Tax rate

Art. 223. (amend. - SG 95/09, in force from 01.01.2010; amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Declaring the tax

Art. 224. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Paying the tax

Art. 225. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Receipts from auxiliary and subsidiary activities

Art. 226. (amend. - SG 95/09, in force from 01.01.2010; revoked – SG 1/14, in force from 01.01.2014)

Section III.
Tax on Gambling Activity of Lotteries, Raffles, and Bingo and Keno Lottery Games with Numbers, Including such Organised from Distance (Title amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

General provisions

Art. 227. (revoked – SG 1/14, in force from 01.01.2014)

Taxable persons

Art. 228. (revoked – SG 1/14, in force from 01.01.2014

Basis of taxation

Art. 229. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Tax rate

Art. 230. (amend. - SG 95/09, in force from 01.01.2010; revoked – SG 1/14, in force from 01.01.2014)

Declaring the tax

Art. 231. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Paying the tax

Art. 232. (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Recovery of the tax

Art. 233. (1) (amend. – SG 94/12, in force from 01.01.2013; revoked – SG 1/14, in force from 01.01.2014)

Receipts from auxiliary and subsidiary activities

Art. 234. (revoked – SG 1/14, in force from 01.01.2014)

Section IV.
Tax on Gambling Activity of Games, in Which the Bet for Participation Is through the Price of a Telephone or Another Electronic Communication Service (Title amend. – SG 94/12, in force from 01.01.2013; amend. – SG 1/14, in force from 01.01.2014)

General provisions

Art. 235. (amend. – SG 94/12, in force from 01.01.2013; amend. – SG 1/14, in force from 01.01.2014) The gambling activity of games, in which the bet for participation is through the price of a telephone or another electronic communication service shall be taxed with a tax on gambling activity, and the said tax shall be final.

Taxable persons

Art. 236. (amend. – SG 94/12, in force from 01.01.2013; amend. – SG 1/14, in force from 01.01.2014) Taxable persons under this Section shall be the organizers of those gambling games, in which the bet for participation is through the price of a telephone or another electronic communication service.

Basis of taxation

Art. 237. (amend. – SG 94/12, in force from 01.01.2013) The basis of taxation for determining the tax under this Section shall be the increase in the price of the telephone or other electronic communication service.

Tax rate

Art. 238. (amend. - SG 95/09, in force from 01.01.2010) The tax rate of the tax under this Section shall be 15 percent.

Declaring the bets made and the tax

Art. 239. (amend. – SG 94/12, in force from 01.01.2013) (1) The organizer of the gambling game shall declare the bets made and the tax under this Section at the territorial directorate of the National Revenue Agency by his registration until the 10th day of the month following the month in which the games are held, by way of a tax return of a standard form.

(2) The telephone or other electronic communication service operator shall declare the bets made

and the tax under this Section at the territorial directorate of the National Revenue Agency by his registration until the 10th day of the month following the month in which the games are held, by way of a tax return of a standard form.

(3) (new – SG 75/16, in force from 27.09.2016) When the organizer of a gambling activity is a foreign legal person carrying on business in the country through a place of business in the first declaration under para. 1 for the respective year shall specify identification data of the owners, shareholders or partners in the foreign legal person and the amount of their participation, where the amount of the contribution is more than 10 per cent.

Paying the tax

Art. 240. (amend. – SG 94/12, in force from 01.01.2013) (1) The tax on the gambling activity under this Section shall be withheld and paid by telephone or other electronic communication service operator until the 10th day of the month following the month in which the games are held.

(2) (Amend. - SG 69/20) The telephone or other electronic communication service operator shall have to make sure that the organizer of the gambling game has obtained a license from the Executive Director of the National revenue Authority, and shall have to submit with the territorial directorate of the National Revenue Agency the contract on the grounds of which he accepts the bets, the said contract containing a clause regarding the increase in the price of the telephone or other electronic communication service.

Receipts from auxiliary and subsidiary activities

Art. 241. (Repealed - SG 69/20)

Section V.
Tax on Gambling Activity from Slot Machine Games and Casino Games (Title amend. – SG 94/12, in force fro 01.01.2013; amend. – SG 1/14, in force from 01.01.2014)

General provisions

Art. 242. (1) (amend. – SG 94/12, in force from 01.01.2013; prev. text of Art. 242, amend. – SG 1/14, in force from 01.01.2014) Gambling activity with slot machine games and casino games shall be taxed with a tax on gambling activity, and this tax shall be final.

(2) (new – SG 1/14, in force from 01.01.2014) Gambling activity with slot machine games and casino games organized online shall be levied with a corporate income tax.

Taxable persons

Art. 243. (amend. – SG 94/12, in force from 01.01.2013; amend. – SG 1/14, in force from 01.01.2014) Taxable persons under this Section shall be the organizers of gambling games under **Art. 242, para 1**.

Determining the tax

Art. 244. (amend. – SG 94/12, in force from 01.01.2013; suppl. – SG 23/13, in force from

08.03.2013) The tax on the gambling activity under this Section shall be assessed in respect of the devices entered in the certificate of granted licence and in operation:

1. (amend. – SG 1/14, in force from 01.01.2014) slot machines in a gambling hall, and each gaming seat thereof, respectively;

2. (amend. – SG 1/14, in force from 01.01.2014) gambling tables and slot machines in a casino, respectively each gambling seat thereto.

Amount of the tax

Art. 245. (amend. - SG 95/09, in force from 01.01.2010; amend. – SG 94/12, in force from 01.01.2013) (1) The tax on gambling activity under this Section shall amount to as follows:

1. (amend. – SG 1/14, in force from 01.01.2014) per slot machine in a gambling hall or casino, per gaming seat thereof, respectively – BGN 500 per quarter;

2. (amend. – SG 1/14, in force from 01.01.2014) for roulette in a casino per gaming table – BGN 22,000 per quarter per each gambling table;

3. (amend. – SG 1/14, in force from 01.01.2014) for other gambling device in a casino – BGN 5,000 per quarter per each gambling device;

4. (revoked – SG 1/14, in force from 01.01.2014)

(2) (amend. – SG 23/13, in force from 08.03.2013) No tax under Para 1, Items 1 to 3 shall be due for the quarters prior to the issue of the license for organizing gambling games with the respective gambling device or for the quarters after the revocation thereof.

(3) (amend. – SG 23/13, in force from 08.03.2013) The full amount of the tax under Para 1, Items 1 to 3 shall be due for the quarter in which the license for organizing gambling games with the respective device is issued as well as for the quarter in which it is revoked.

(4) In the cases under **Art. 40 of the Gambling Act** the tax under Para 1, Item 1 – 3 shall be due in full amount for the quarter of suspending or resuming the activity.

(5) (New - SG 104/20, in force from 01.01.2021) Paragraph 4 shall not apply in the cases of suspension of the activity in implementation of an administrative act issued by the order of Chapter Two, Section Five of the Health Act. In these cases the tax under para. 1, items 1 - 3 shall be due in proportion to the days of the quarter during which the activity has not been suspended.

Declaring the tax

Art. 246. (amend. – SG 94/12, in force from 01.01.2013) (1) The taxable persons shall declare the tax under this Section by filing of a tax statement in a form until the 15th day of the month following the respective quarter.

(2) The tax statement under Para 1 shall be filed with the territorial directorate of the National Revenue Agency at the place of registration of the person.

(3) (new – SG 75/16, in force from 27.09.2016) Where the taxpayer is a foreign legal entity carrying on business in the country through a place of business in the first declaration under para. 1 for the year in question shall specify identification data of owners, shareholders or partners in the foreign legal entity and the amount of their participation, where the amount of the contribution is more than 10 percent.

Paying the tax

Art. 247. (amend. – SG 94/12, in force from 01.01.2013) The tax on the gambling activity under this Section shall be payable within the time limits for declaring it.

Chapter thirty three.
TAX ON THE RECEIPTS OF STATE-BUDGET ENTERPRISES

General provisions

Art. 248. The receipts of the State-budget enterprises from transactions referred to in **Art. 1 of the Commerce Act**, and the receipts from leasing movable and immovable property shall be taxed with a tax on receipts in accordance with the procedure set forth in this Chapter.

Basis of taxation

Art. 249. (amend. – SG 94/12, in force from 01.01.2013) The basis of taxation for determining the tax on the receipts shall be the receipts of the State-budget enterprise from transactions referred to in **Art. 1 of the Commerce Act** and the receipts from leasing movable and immovable property which are assessed in the respective year.

Tax rate

Art. 250. (1) The tax rate of the tax on receipts shall be 3 percent.
(2) The tax rate of the tax on the receipts of the municipalities shall be 2 percent.

Tax assignment

Art. 251. (1) (amend. - SG 79/15, in force from 01.08.2016) There shall be assigned 50 percent of the tax on the receipts of the scientific research State-budget enterprises, the State higher schools, the State and municipal schools of the pre-school and school education system for their economic activity which is either directly connected with or helpful to the performance of their basic activity.
(2) The assigned tax shall be recorded as a written-off liability to the State.

Declaring the tax

Art. 252. (1) (prev. Art. 252 - SG 95/09, in force from 01.01.2010, amend. - SG 104/20, in force from 01.01.2021) In those cases where they are subject to tax on the receipts in the respective year, the State-budget enterprises shall submit an annual tax return of a standard form between March 1 and June 30 of the subsequent year.
(2) (new - SG 95/09, in force from 01.01.2010) An annual business report shall be submitted together with the annual tax return.

Paying the tax

Art. 253. (amend. – SG 94/12, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) The tax on receipts shall be paid by 30 June of the following year.

Chapter thirty four.
TAX ON THE ACTIVITY OF OPERATION OF VESSELS

General provisions

Art. 254. (1) The taxable persons under this Chapter shall be entitled to choose that their activity of operation of vessels be taxed with a tax on the activity of operation of vessels.

(2) The taxable persons that have chosen to be taxed with the tax referred to in para. 1 shall be taxed with this tax for a period of at least 5 years.

Taxable persons

Art. 255. (1) (prev. text of Art. 255 – SG 94/10, in force from 01.01.2011) Taxable persons under this Chapter shall be the persons performing maritime commercial navigation, providing that all of the following conditions are present:

1. (amend. – SG 106/08, in force from 01.01.2009) they are companies registered under the **Commerce Act** or business activity establishments of a company located for tax purposes either in another Member State of the European Union or in a Member State of the European Economic Area, and are not regarded as located in another State outside the European Union or the European Economic Area under the respective tax legislation or under a treaty on avoidance of double taxation with a third State;

2. (amend. – SG 94/10, in force from 01.01.2011) they operate vessels of their own or chartered ones, as well as charter vessels;

3. they do not refuse to train probationers on board, with the exception of those cases in which the number of probationers within a year is more than one per 15 officers on board;

4. (amend. – SG 106/08, in force from 01.01.2009) their crews are recruited from Bulgarian citizens or citizens of other Member States of the European Union or the European Economic Area;

5. (amend. – SG 106/08, in force from 01.01.2009; amend. – SG 94/10, in force from 01.01.2011) at least 60 percent of the net tonnage of the operated vessels is of vessels flying the Bulgarian flag or the flag of another Member State of the European Union or the European Economic Area.

6. (new – SG 94/10, in force from 01.01.2011) carry out their activities in compliance with the requirements of the international conventions and the European Union law related to the safety and security of shipping, protection of the environment from pollution from ships and the living and labour conditions on-board of ships.

(2) (new – SG 94/10, in force from 01.01.2011) Taxable persons under this Chapter shall be also the persons carrying out sea merchant shipping managing ships pursuant to management contracts and meeting all of the following requirements:

1. comply with the requirements under Para 1, Items 1, 5 and 6;

2. more than the half of the administrative coastal staff or the crew consists of Bulgarian nationals or nationals of other Member States of the European Union or of the European Economic Area;

3. at least three-thirds of the tonnage of the managed ships is managed by companies qualifying as local persons for tax purposes of a Member State of the European Union or another contracting party to the Agreement on the European Economic Area.

Limitations on the scope of the tax

Art. 256. The taxable persons shall not be entitled to apply the procedure for taxation under this Chapter to:

1. sea vessels the net tonnage of which is below 100 tons;

2. fishing vessels;

3. vessels for trips, with the exception of passenger ships;

4. vessels which the taxable persons have granted under management contracts or under bare-boat charters, except for the cases in which the vessels are granted to the State;

5. installations for extraction of ores and minerals, oil platforms, dredgers and vessels performing towage.

Basis of taxation

Art. 257. (1) The basis of taxation per vessel per day in operation shall be determined as follows:

1. per vessel the net tonnage of which is up to 1,000 tons – BGN 3.50 per each 100 tons commenced;

2. per vessel the net tonnage of which is from 1,001 up to 10,000 tons – BGN 35 plus BGN 3.00 per each 100 tons commenced above 1,000 tons;

3. per vessel the net tonnage of which is from 10,001 up to 25,000 tons – BGN 305 plus BGN 2.50 per each 100 tons commenced above 10,000 tons;

4. per vessel the net tonnage of which is above 25,001 tons – BGN 680 plus BGN 1.00 per each 100 tons commenced above 25,000 tons.

(2) (amend. – SG 94/12, in force from 01.01.2013) The basis of taxation of a vessel for a calendar year shall be determined by multiplying the basis of taxation of the respective vessel per one day of operation, the said basis of taxation being determined under para. 1, by the number of days of operation of the respective vessel for the calendar year.

(3) The basis of taxation for determining the tax under this Chapter shall be the aggregate of the bases of taxation of all vessels determined under para. 2.

Tax rate

Art. 258. The tax rate of the tax under this Chapter shall be 10 percent.

Declaring the tax

Art. 259. (1) The taxable persons shall exercise their right to choose taxation with the tax under this Chapter by way of submitting a tax return of a standard form not later than 31 December of the preceding year.

(2) (Amend. - SG 104/20, in force from 01.01.2021) The taxable persons shall submit an annual tax return of a standard form for the tax due under this Chapter between March 1 and June 30 of the subsequent year.

(3) (new - SG 95/09, in force from 01.01.2010) An annual business report shall be submitted together with the annual tax return.

(4) (new – SG 75/16, in force from 27.09.2016) Where the taxpayer is a foreign legal entity carrying on business in the country through a place of business in the declaration under para. 2 specifying identification data of owners, shareholders or partners in the foreign legal person and the amount of their participation, where the amount of the contribution is more than 10 percent.

Paying the tax

Art. 260. (amend. – SG 94/12, in force from 01.01.2013, amend. - SG 104/20, in force from 01.01.2021) The taxable persons shall pay monthly the tax due under this Chapter by 30 June of the following year.

Part six.
ADMINISTRATIVE SANCTIONS PROVISIONS

Chapter thirty five.
ADMINISTRATIVE VIOLATIONS AND SANCTIONS

Art. 261. (1) A taxable person that fails to submit the tax return referred to in this Act, or fails to submit it in due time, or fails to state data or circumstances, or states false data or circumstances, this bringing about either a lower amount of the tax or ungrounded abatement, or assignment, or exemption from tax, shall be punished with a pecuniary sanction at the amount of BGN 500 to BGN 3,000.

(2) In the cases of a repeated violation the pecuniary sanction referred to in para. 1 shall be at the amount of BGN 1,000 to BGN 6,000.

Art. 262. (1) A taxable person that fails to submit a supplement to the annual tax return, or states false data or circumstances therein shall be punished with a pecuniary sanction at the amount of BGN 100 to BGN 1,000.

(2) In the cases of a repeated violation the pecuniary sanction referred to in para. 1 shall be at the amount of BGN 200 to BGN 2,000.

Art. 262a. (new – SG 109/13, in force from 01.01.2014) (1) In case of failure to submit the information referred to in **Art. 201, para 5 and 6** or untimely provision thereof , as well as in cases of provision of false or incomplete information shall be imposed a pecuniary sanction amounting up to BGN 250, unless the punishable person is subject a graver penalty.

(2) Where the violations under para 1 are committed by more than one legal entity which should provide information, the pecuniary sanction shall be imposed separately for each legal entity.

(3) In case of repeated violation under para 1 the pecuniary sanction shall be in the amount of up to BGN 500.

Art. 262b. (New, SG, 96/19, effective 01.01.2020) (1) A taxable person, who fails to fulfill his obligation under Art. 155d, Para. 9, failed to comply with it within the time limit, did not indicate or incorrectly stated data or circumstances, leading to the non-application of Art. 155d, Para. 7, shall be punished by a property sanction in the amount of BGN 3000 to 5000.

(2) In case of repeated violation under Para. 1, the property sanction shall be in the amount of BGN 6000 to BGN 10,000.

Art. 263. (1) A taxable person that reports a business operation in violation of its accounting policy and this brings about improper determination of its accounting financial result shall be punished with a pecuniary sanction at the amount of BGN 100 to BGN 1,000 per each violation.

(2) In the cases of a repeated violation the pecuniary sanction referred to in para. 1 shall be at the amount of BGN 200 to BGN 2,000 per each violation.

Art. 264. (Amend. - SG 98/18, in force from 01.01.2019) (1) The representative of the taxable person, including the person acting as liquidator, trustee, or representing the permanent establishment, unincorporated company or insurance fund, who has committed a violation, through action or omission, this being a violation under **Art. 261**, **262** or **263**, shall be punished with a pecuniary sanction or a fine at the

amount of BGN 200 to BGN 1,000.

(2) In the cases of a repeated violation the pecuniary sanction or fine referred to in para. 1 shall be at the amount of BGN 400 to BGN 2,000 per each violation.

Art. 265. (amend. - SG 110/07, in force from 01.01.2008) A taxable person that fails to issue a primary accounting document in order to account for receipts shall be imposed a sanction under **Art. 182 of the Value Added Tax Act**, unless the person is subject to a more severe punishment.

Art. 266. (amend. - SG 110/07, in force from 01.01.2008) A taxable person that fails to perform its duty under **Art. 10, Para 4** shall be imposed a sanction under **Art. 185 of the Value Added Tax Act**.

Art. 267. (1) (amend. - SG 110/07, in force from 01.01.2008; previous text of Art. 267 – SG 100/13, in force from 01.01.2014) A taxable person that makes a concealed distribution of profit shall be punished with a pecuniary sanction at the amount of 20 percent of the amount constituting concealed distribution of profit.

(2) (new – SG 100/13, in force from 01.01.2014) In the cases, where a taxable person, who has committed concealed distribution of profit states this circumstance in the taxation declaration, sanction envisaged in Para 1 shall not be applied.

Art. 268. (revoked – SG 1/14, in force from 01.01.2014)

Art. 269. (revoked – SG 1/14, in force from 01.01.2014)

Art. 270. (revoked – SG 1/14, in force from 01.01.2014)

Art. 271. (revoked – SG 1/14, in force from 01.01.2014)

Art. 272. (revoked – SG 1/14, in force from 01.01.2014)

Art. 273. (revoked – SG 1/14, in force from 01.01.2014)

Art. 274. (revoked – SG 1/14, in force from 01.01.2014)

Art. 275. (revoked – SG 94/10, in force from 01.01.2011)

Art. 276. (amend. - SG 95/09, in force from 01.01.2010; suppl. – SG 99/11, in force from 01.01.2012, amend. - SG 98/18, in force from 01.01.2019) A taxable person failing to perform the obligation under Art. 92, par. 3, Art. 219, par. 5, Art. 252, par. 2 or Art. 259, par. 3 shall be punished with a pecuniary sanction at the amount of BGN 500 to BGN 2,000 and in the cases of a repeated violation the pecuniary sanction shall be at the amount of BGN 1,500 to BGN 5,000.

Art. 277. (1) The taxable persons that have applied the procedure for taxation under **Chapter Thirty-Four** but do not fulfil the conditions which give them the right of choosing shall be punished with a pecuniary sanction at the amount of BGN 20,000 to BGN 30,000 and in the cases of a repeated violation the pecuniary sanction shall be at the amount of BGN 40,000 to BGN 60,000.

(2) The persons referred to in para. 1 shall not be entitled to apply the procedure for taxation of the activity of operation of vessels for a period of 5 years.

Art. 277a. (new – SG 106/08, in force from 01.01.2009; amend. – SG 94/10, in force from

01.01.2011) (1) Any person who according to an individual quota allocated to him has issued to employers food vouchers, which nominal value exceeds the said individual quota, shall be imposed a property sanction amounting to the surplus to the nominal value of the food vouchers issued to employers under the allocated individual quota exceeding the said individual quota, but no less than BGN 2000.

(2) Any person who issues to employers food vouchers without being allocated an individual quota shall be imposed a property sanction amounting to the nominal value of the food vouchers issued to employers, but no less than BGN 2000.

(3) (new – SG 94/12, in force from 01.01.2013) Any person providing food vouchers to employers that do not meet the conditions and order for printing food vouchers specified in the ordinance under **Art. 209, Para 6** shall be imposed a property sanction amounting to the nominal value of the provided food vouchers, but no less than BGN 2000.

Art. 277b. (new – SG 106/08, in force from 01.01.2009) Any operator of food vouchers who fails to provide a reference for the made available and paid (cashed) vouchers shall be imposed a property sanction in amount from BGN 1000 to 1500 and in case of repeated offence - in amount from BGN 2000 to 2500.

Art. 277c. (new – SG 94/10, in force from 01.01.2011) Any food voucher operator who fails to meet the requirements of **Art. 209, Para 8** for payments related to issued food vouchers shall be imposed a property sanction in amount from BGN 10000 to 15000, and in cases of repeated offence – from BGN 20000 to 30000.

Art. 277d. (New - SG 98/18, in force from 01.01.2019) Any taxable person who fails to fulfill his obligations under Art. 47e, or states incorrect data and circumstances in the Register under this Article, shall be punished with a pecuniary sanction in the amount from BGN 3,000 to 5,000, and in the case of a repeated violation - in the amount from BGN 6,000 to BGN 10,000.

Art. 278. (1) The records establishing the violations shall be drawn by the bodies of the National Revenue Agency, while the penalty warrants shall be issued either by the Executive Director of the National Revenue Agency or by an official authorized by him/her.

(2) The establishment of violations, and the issue, appeal and enforcement of penalty warrants shall be carried out in accordance with the procedure set forth in the **Administrative Violations and Penalties Act**.

Additional provisions

§ 1. In this Act:

1. "The country" shall denote the geographic territory in which the Republic of Bulgaria exercises its State sovereignty, as well as the continental shelf and the exclusive economic area within which the Republic of Bulgaria exercises sovereign rights in accordance with international law.

2. "Business activity establishment" shall denote the business activity establishment within the meaning of § 1, item 5 of the Supplementary Provisions of the Tax Insurance Procedure Code.

3. "Financial asset" shall denote the asset defined in the applicable accounting standards, including the compensatory instruments within the meaning of Art. 2 of the Transactions in Compensatory Instruments Act. Where the person is not an enterprise within the meaning of the Accountancy Act, for the purposes of the first sentence the applicable accounting standards shall be the international accounting standards applicable within the country in the respective year.

4. "Dividend" shall denote the allotment in favour of a person as a result of the person’s share in

another person’s capital, this allotment bringing about a decrease in the equity of the latter, this including:

a) income originating from shares;

b) income originating either from shareholding, including the shareholding in unincorporated companies, or from other rights treated as income from shares;

c) concealed distribution of profit.

The distribution accounted for as expense by the distributing person, this being in accordance with accounting legislation, shall not be a dividend, except for the cases of concealed distribution of profit.

5. (amend. - SG 110/07, in force from 01.01.2008) "Concealed distribution of profit" shall denote:

a) (amend. - SG 95/09, in force from 01.01.2010) the amounts not related to the carried by the taxable person activity or such exceeding the usual market levels, accounted, paid or distributed in any form in favour of the shareholders, or parties related thereto, except for the dividends under item 4, items "a" and "b";

b) accounted expenses for interests (unless the loan conditions have been negotiated to perform requirements stipulated in a normative act), where at least three of the following conditions are available:

aa) by 31 December of the preceding year the loan exceeds the own capital of the payer of the income;

bb) the payment of the loan or the related interests is not restrict to a fixed term;

cc) the payment of the loan or the related interests or the amount of the interests depends on the availability or the amount of profits of the payer of the income;

dd) the payment of the loan depends on the satisfaction of the claims of other creditors or on the payment of dividents.

6. "Liquidation share" shall denote the allotment of a share in the property of a person in favour of another person upon the winding-up of the first person or upon termination of the membership of the other person.

7. "Interest" shall denote the income originating from any type of receivables for a debt, regardless to whether the debt is secured by way of a mortgage or by way of a clause providing for participation in the debtor’s profit, including the interest on bank deposits and the income (bonuses) from bonds and debentures. For the purposes of Part Three, the income in the form of dividends, interest on delayed payments and indemnities shall not be regarded as interest.

8. (suppl. - SG 95/09, in force from 01.01.2010) "Author’s and licence remuneration" shall denote payments of any type received for: the use or the right to the use of any copyright regarding a work of literature, art or science, including films, records of radio or TV broadcast or software; the use or the right to the use of any patent, integrated circuit topology, trade mark, industrial design or useful model, plan, secret formula or process; the use or the right to the use of an industrial, commercial or scientific equipment or information regarding an industrial, commercial or scientific experiment. The payments for the acquisition of the right to using software in which only a copy of the respective programme is incorporated shall not be regarded as author’s and licence remuneration in those cases where the rights of copying, reproducing, distributing, modifying, publicizing and other forms of commercial use are not granted. "Industrial, commercial or research equipment" shall be all movable things, including vehicles, facilities, production facilities, facilities for providing services, tec., which the enterprise uses in its business activity.

9. "Remuneration for technical services" shall denote the payments, originating in the Republic of Bulgaria, relating to the assemblage or installation of tangible assets as well as any other services of consultancy nature, and marketing studies, these payments being made by a foreign person.

10. "Franchise" shall denote the aggregate of industrial and intellectual property rights regarding trade marks, trade names, logos, models, designs, copyright, know-how or patents, these rights being granted in return for remuneration, for being used in selling goods and/or providing services.

11. "Factoring" shall denote a transaction relating to one-time money receivables or regular ones ensuing from delivery of goods or provision of services, regardless to whether the person acquiring the receivables (the factor) takes the risk of collecting the said receivables in return for remuneration.

12. "Tax input" shall denote the right enjoyed under the conditions specified in this Act to deduction of an amount of the tax paid abroad on profit or income.

13. "Related parties" shall denote the parties within the meaning of § 1, item 3 of the Supplementary Provisions of the Tax Insurance Procedure Code.

14. "Market price" shall denote the price within the meaning of § 1, item 8 of the Supplementary Provisions of the Tax Insurance Procedure Code.

15. (Repealed, - SG, 96/19, in force from 01.01.2020)

16. "Accounting financial result" shall denote the profit (the loss) under the profit and loss account (the income account) for a certain period of time prior to the assessment of the expenses of tax on profit.

17. "Non-distributable expenses" shall denote all the sales expenses, and those administrative, financial and unscheduled expenses which relate to more than one activities and are connected with performing activities:

a) for which assignment of corporate tax is enjoyed, or

b) which are subject to taxation with corporate tax and are carried out by not-for-profit legal entities.

18. "Non-distributable receipts" shall denote all those financial and unscheduled receipts which do not originate from the performance of one activity only and are connected with performing activities for which assignment of corporate tax is enjoyed.

19. "Expenses of provisions for liabilities" shall denote those expenses of provisions which have been accounted for and meet the criteria regarding the recognition of a provision under the applicable accounting standards, including:

a) the expected excess of the total amount of expenses over receipts and the expected losses under construction contracts;

b) the receipts upon withdrawal from a company and those following the withdrawal, the receipts in the form of stocks or shares, and other long-term receipts of the staff.

20. "Borrowed capital" within the meaning of Art. 43, para. 6 shall denote the total amount of the liabilities of the enterprise, except for the amount of financing.

21. (amend. – SG 52/07, in force from 01.11.2007; amend. – SG 106/08, in force from 01.01.2009) "Disposal of financial instrument" for the purpose of Art. 44 and 196 shall denote the transactions:

a) (suppl. – SG 109/13, in force from 01.01.2014, amend. – SG, 95/2015, in force from 1. 1. 2016, amend. - SG 15/18, in force from 16.02.2018) with stocks and shares of collective investment schemes and of national investment funds, shares and rights and state securities, effected on a regulated market in the sense of Art. 152, para. 1 and 2 of the Markets in Financial Instruments Act; "rights" for the purposes of the first sentence shall be securities entitling to subscription of a certain number of shares in relation to a decision for increasing the capital;

b) effected on the terms and conditions and in accordance with the procedure for repurchase from collective investment schemes admitted to public offering in the country or in another Member State of the European Union, or in a state – party to the Agreement on the European Economic Area;

c) (new – SG 109/13, in force from 01.01.2014) distribution of monies upon winding-up of closed-type national investment funds shall also considered redemption;

concluded under the terms and following the redemption procedure by national investment funds admitted for public offering in the country;

d) (prev. text of "c" – SG 109/13, in force from 01.01.2014) effected under the conditions and order for tender offering under Chapter Eleven, Section II of the Public Offering of Securities Act or transactions of identical type in another Member State of the European Union, or in a state – party to the Agreement on the European Economic Area.

e) (new - SG 104/20, in force from 01.01.2021) with shares carried out on a third country market which is considered equivalent on a regulated market and for which the European Commission has adopted a decision on the equivalence of the third country legal and supervisory framework in accordance with

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OB, L 173/349 of 12 June 2014).

22. (amend. - SG 110/07, in force from 01.01.2008) "Acquisition price of securities or shares which is evidenced by way of documents" shall denote the acquisition price of the respective securities or shares which the person has evidenced by way of documents in accordance with the procedure set forth in the respective statutory instruments. Where securities or shares of the same type, issued by the same person, have been acquired at different prices and, subsequently, a part thereof is sold, and it is impossible to prove which of them are sold, the acquisition price of the securities or shares sold shall be the average weighted price determined on the grounds of the acquisition price of the State securities or shares at the time of the sale. The second sentence shall apply to all the actions of disposal of securities or shares. Where new stocks or shares have been acquired as a result of a distribution which has brought about a decrease in the equity of the person distributing the stocks or shares, a reappraisal shall be carried out of the acquisition price of the stocks or shares which has been evidenced by way of documents. Following the acquisition of the new stocks or shares under the preceding sentence, the acquisition price of each stock or share, including the newly acquired ones, shall be equal to the aggregate of the acquisition prices of the stocks or shares prior to the acquisition of the new stocks or shares divided by the total number of the stocks or shares held after the acquisition, including the newly acquired ones.

23. "Peripheral devices" shall denote any devices which form part of a computer system or are controlled by a computer, but the latter can work without them.

24. "Research activity" shall denote the activity of development, design, creating and testing of new goods, materials, production technology and technology for industrial systems and other objects of industrial property, as well as the improvement of existing products and technology.

25. "Tax loss from a source abroad" under Arts. 73 and 74 shall denote the aggregate of the losses of all business activity establishments in the respective foreign State.

26. "Financial institutions" shall denote:

a) (amend. - SG 110/07, in force from 01.01.2007) the credit and financial institutions under the Credit Institutions Act;

b) those insurers, reinsurers and foreign persons which carry out insurance or reinsurance activity under the Insurance Code through a business activity establishment;

c) (amend. – SG 52/07, in force from 01.11.2007; amend. – SG 77/11) investment agents under the Markets in Financial Instruments Act and management companies under the Act on Measures against Market Abuse with Financial Instruments, the Act on the Operation of Collective Investment Schemes and other Collective Investment Undertakings;

d) the companies performing activity of additional social insurance;

e) (new - SG 110/07, in force from 01.01.2007; repealed – SG 100/13, in force from 01.01.2014)

27. (amend. - SG 95/09, in force from 01.01.2010, amend. – SG, 105/14, in force from 1. 1. 2014) "Unmanufactured vegetable and animal products" shall denote any primary product obtained from plants or animals which is not subjected to any technological processing or reprocessing resulting in physical and chemical changes in the composition thereof and is indicated in the Annex I of the Treaty on Functioning of the European Union.

28. (amend. – SG, 105/14, in force from 1. 1. 2014) "Production activity" under Art. 184 shall denote the process of creating a new product by way of mechanical, or physical, or chemical transformation (processing or reprocessing) of raw stuff and materials for the purpose of subsequent realization and biological transformation of live animals or plants. Creation of a new product shall not be production activity in the energy and aviation sector, including construction of airports, airport infrastructure and related activities in the cases of state aid for regional development.

29. (amend. - SG 110/07, in force from 01.01.2007, amend. – SG, 95/2015, in force from 1. 1. 2016) "Initial investment" shall denote an investment in new tangible and intangible assets, which represent

acceptable expenses related to:

1. establishment of new production site;

2. expansion of capacity of existing production site;

3. diversification of the production of a production site with products, which does not produce;

4. substantial modification of the general production process of existing production site.

The investment in an asset which replaces an existing asset shall not represent an initial investment.

30. (amend. - SG 110/07, in force from 01.01.2007, amend. – SG, 105/14, in force from 1. 1. 2014; amend. – SG 22/15, in force from 01.01.2014) "Establishment in a difficult situation" for the purposes of Art. 182, Para. 1, p. 3 shall be the one within the meaning of the Guidelines for state aid for recovery and restructuring of non-financial establishments in difficult situation (OJ, C 249/1 of 31 July 2014), and for the purposes of Art. 182, Para. 5 shall be the one within the meaning of Commission Regulation (EU) No. 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sector and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and revoking Commission Regulation (EU) No. 1857/2006 (OJ L 193/1 of 1 July 2014).

31. (amend. - SG 110/07, in force from 01.01.2007, amend. – SG, 105/14, in force from 1. 1. 20140) "De minimis aid" shall denote aid in the meaning of Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 107 and 108 of the Treaty to Functioning of the EU to de minimis aid.

32. "Market interest" shall denote the interest that would be paid under the same conditions on credit received in any form under a transaction between persons that are not related parties. The market interest shall be determined according to the market conditions, due account being given to all the quantitative and qualitative characteristics of the transaction – form, amount, currency of the financial means provided, time period of the provision thereof; type, amount and liquidity of the security; credit risk and other risks connected with the transaction; profile of the borrower or the lessee, as well as any other conditions and circumstances affecting the amount of the interest.

33. "Publicity expenses" shall denote the expenses of promoting goods and services, including gifts, which have the taxable person’s trade name or trade mark on them, within the ordinary activity carried out by the person.

34. "Social expenses provided in kind" shall denote those social benefits under Art. 294 of the Labour Code which have been accounted for as expenses and have been provided either in accordance with the procedure set forth in Art. 293 of the Labour Code or by the managerial body of the enterprise. The social expenses must be accessible to all workers and employees and persons employed under management and supervision contracts. No provision of social expenses in kind shall be present where the employer or assignor and the persons referred to in the second sentence have any pecuniary relationships connected with the social benefits received.

35. (amend. – SG 94/10, in force from 01.01.2011) "Operator" under Art. 209 shall denote a person that has obtained permission from the Minister of Finance and carries out activities of printing out, organizing, supervising and settling the accounts connected with vouchers for food in accordance with the procedure set forth by way of an Ordinance of the Minister of Labour and Social Policy and the Minister of Finance.

36. "Vouchers for food" shall denote a type of exchange papers provided through the employer to the workers and employees, including those under management contracts, these papers being used as a means of payment in restaurants, fast-food establishments and sites for trade in foodstuffs in accordance with a service contract signed with an operator.

37. "Car" shall denote the one defined in the Road Traffic Act.

38. "Additional bus lines" shall denote the bus lines of a well-established transport scheme the regime of which ensures the stopping of buses and the passengers’ getting on and off the buses where the passengers so require, in places where stopping is permitted, the said lines complementing the main lines of

urban transport without duplicating them completely.

39. (revoked – SG 75/16, in force from 01.01.2016).

40. "Transport vehicles" shall denote the ones defined in Chapter Two, Section Four of the Local Taxes and Fees Act regardless to whether they are entered in a register maintained under Bulgarian legislation or not.

41. "Activities of operation of vessels" shall denote:

a) carriage by sea with vessels the net tonnage of which is over 100 tons, the chartering thereof, as well as the sale of those vessels forming objects of tonnage taxation which were acquired earlier than 5 years prior to their being sold;

b) land carriage connected with carriage by sea, administrative and insurance services and other services provided to clients in connection with carriage by sea;

c) financial operations and exchange rate differences relating to the management of floating capital used in the operation of vessels;

d) unscheduled activities connected with the operation of vessels, the said activities not falling within the scope of the items "a" through "c" and the turnover thereof not exceeding 0.25 percent of the turnover of the activities under the items "a" and "b".

e) (new – SG 94/10, in force from 01.01.2011) ship management activities pursuant to management contracts under Art. 255a, Items 1 – 7, 9 and 10 of the Merchant Shipping Code.

42. "Days in operation" shall denote the days in which the vessel is used for carriage and/or for performing activities connected with carriage. The days in operation shall not include the time for repairs or demurrage of the vessel, or the period of time in which, due to detention or force majeure events, the vessel does not perform carriage and/or does not perform activities connected with carriage.

43. "Net tonnage" shall denote the measure in tons of the useful (load) capacity of the vessel certified by way of the certificate of the vessel’s tonnage.

44. "Repeated violation" shall denote a violation committed within a period of one year following the effective date of a penalty warrant by way of which the violator was sanctioned for the same type of violation.

45. (new - SG 110/07, in force from 01.01.2007, amend. – SG, 105/14, in force from 1. 1. 2014) "Agricultural products", "processing of agricultural products" and "marketing of agricultural products" are those in the meaning of Art. 2, Para. 1 of Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on Functioning of the EU to de minimis aid.

46. (new - SG 110/07, in force from 01.01.2007) "Acceptable expenses for tangible assets" for the purposes of Item 29 and 48 shall be land, buildings, machinery and facilities/equipment. The initial investment shall include also the machinery and facilities/equipment obtained through a financial leasing contract, where an obligation has been negotiated for purchase of the asset after expiration of the terms.

47. (new - SG 110/07, in force from 01.01.2007) "Acceptable expenses for intangible assets" for the purposes of Item 29 and 48 shall be assets obtained as a result of a technological transfer, which has occurred through the acquisition of rights in patents, licenses, know-how or non-patented technical knowledge.

48. (new - SG 110/07, in force from 01.01.2007) "Large investment project" means an initial investment including acceptable expenses for tangible and intangible assets, combined in a single economically integral entity, where the acceptable expenses exceed the BGN equivalent of EUR 50 million, calculated according to the official exchange rate of the BGN to EUR. The initial investment related to a large investment project shall be performed within 3 years. A large investment project may not be divided in sub-projects or stages, if the provisions of this Act are circumvented in such way.

49. (new - SG 110/07, in force from 01.01.2007) "Net income of sales" shall be those under the Accountancy Act.

50. (new - SG 110/07, in force from 01.01.2007) "Method of the own capital" shall be in the sense of the accountancy legislation.

51. (new - SG 110/07, in force from 01.01.2007) "Method of the proportional consolidation" shall be in the sense of the accountancy legislation.

52. (new - SG 110/07, in force from 01.01.2007) "Joint controlled undertaking" shall be in the sense of the accountancy legislation.

53. (new – SG 106/08, in force from 01.01.2009) "Additional voluntary insurance" shall be that in the sense of § 1, Item 12 of the Additional Provisions of the Income Taxes on Natural Persons Act.

54. (new – SG 106/08, in force from 01.01.2009) "Voluntary health insurance" shall be that in the sense of § 1, Item 13 of the Additional Provisions of the Income Taxes on Natural Persons Act.

55. (new – SG 106/08, in force from 01.01.2009) "Life insurances" shall be those in the sense of § 1, Item 14 of the Additional Provisions of the Income Taxes on Natural Persons Act.

56. (new - SG 95/09, in force from 01.01.2010) "Annual business report" is the one under Art. 20, Par. 4 of the Statistics Act.

57. (new - SG 95/09, in force from 01.01.2010) "Book income, book expenses, book financial result, assets, liabilities and equity of a foreign person from an European Union Member State, or from another country – a party under the European Economic Area Agreement, carrying out business activity in the country through a business place solely under the conditions of free provision of services" shall be those pursuant to the international accounting standards applicable in the country in the respective year.

58. (new- SG 95/09, in force from 01.01.2010) "Book income, book expenditures, book financial result, assets, liabilities and equity of a foreign legal entity from an European Union Member State, or from another country – a party under the European Economic Are Agreement for the purposes of determination of the corporate tax under Art. 202a, par. 2, shall be those pursuant to the international accounting standards, applicable in the country in the respective year.

59. (new - SG 95/09, in force from 01.01.2010) ""Administration of property in the place of business" shall be present also in cases of relocation of the place of business independently or together with the whole enterprise.

60. (new - SG 95/09, in force from 01.01.2010) "Agricultural equipment" for the purposes of Art. 189b, shall be self-driven, non-self-driven and fixed machines, facilities, plants and units, used in agriculture.

61. (new – SG 94/10, in force from 01.01.2011) "Total annual quota for issuing food vouchers" shall be the total nominal value of the food vouchers for the relevant year which may be issued by operators to employers as set out in Art. 209.

62. (new – SG 94/10, in force from 01.01.2011) "Individual quota for issuing food vouchers" shall be the nominal value of the food vouchers which may be issued by an operator to employers within the specified quota.

63. (new – SG 94/10, in force from 01.01.2011) "Maximum admissible annual tax amortisation norms" for the purposes of Art. 75, Para 4 shall be the maximum values of the annual tax amortisation norms under Art. 55 or the maximum amortisation norms values under Art. 22 of the revoked Corporate Income Taxation Act for the years before 2007.

64. (new – SG 94/10, in force from 01.01.2011, amend. – SG, 95/2015, in force from 1.1.2016, suppl. - SG 14/21, in force from 17.02.2021) "Preferential tax regime jurisdictions" shall be the states/territories, which are not EU Member States and do not exchange information with the Republic of Bulgaria under Council Directive 2011/16EU of 15 February, 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ, L 64/1 of 11 March 2011) and its follow up amendments and supplements and meet 2 of the following conditions:

a) with which there are no effective agreements for avoidance of double taxation between the Republic of Bulgaria and the relevant state/territory or enforced bilateral or multilateral agreement for exchange of information upon request between the Republic of Bulgaria or EU and the relevant state /territory;

b) there is an enforces agreement for avoidance of double taxation between the Republic of

Bulgaria and the relevant state/territory or en enforced bilateral or multilateral agreement for exchange of information between the Republic of Bulgaria or EU and the relevant state /territory, but the relevant state/territory refuses or cannot exchange information upon request;

c) and where the due income or corporate tax or any corresponding taxes on the income under **Art. 12, Para 9** or under **Art. 8, Para 11 of the Income Taxes on Natural Persons Act** that have been or are to be realized by the foreign person are more than 60 percent lower than the income or corporate tax on the said income in the Republic of Bulgaria.

The list of the states/territories shall be confirmed by an order of the Minister of Finance upon proposal of the executive director of the National Revenue Agency and shall be published in the State Gazette. Jurisdictions with preferential tax regime are also the countries / territories included in the **EU list of non-cooperative jurisdictions for tax purposes**.

65. (new – SG 94/12, in force from 01.01.2013) "Bribery" for the purpose of **Art. 26, Item 12** means the crimes referred to in Art. 301-307 of the Penal Code.

66. (new – SG 94/12, in force from 01.01.2013) "Official" and "foreign official" means those referred to in Art. 93, Items 1 and 15 of the Penal Code.

67. (new – SG 94/12, in force from 01.01.2013, amend. – SG 69/20) "Date of discontinuing the activity of a gambling organiser" for tax purposes means the date on which the taxable person has submitted his license certificate for storage at the National Revenue Authority.

68. (new – SG 94/12, in force from 01.01.2013, amend. – SG 69/20) "Date of resuming the activity of a gambling organiser" for tax purposes means the date, following the date on which the taxable person has received his certificate of granted license from the Executive Director of the National Revenue Authority.

69. (new – SG 94/12, in force from 01.01.2013 ; revoked – SG 1/14, in force from 01.01.2014)

70. (new – SG 100/13, in force from 01.01.2014, amend. - SG 15/18, in force from 16.02.2018) "Regulated market" is as defined in Art. 152, para. 1 and 2 of the the Markets in Financial Instruments Act.

71. (new – SG, 105/14, in force from 1. 1. 2014) (one and the same establishment" is an establishment in the meaning of Art. 2 of Commission Regulation (EU) N 1407/2013 of 18 december 2013 on application of Art. 107 and 108 of the Treaty on Functioning of the EU to the de minimis aid.

72 (new – SG, 105/14, in force from 1. 1. 2014) ("South-west region" for the purposes of Chapter Twenty Two shall include all populated places in the districts Sofia (capital), Sofia, Blagoevgrad, Pernink and Kyustendil under Regulation (EC) N 1059/2013 of the European Parliament and of the Council of 26 May 2003 on establishment of general classification of the territorial units for statistical purposes, including its amendments and replacements.

73. (new – SG, 105/14, in force from 1. 1. 2014, amend. – SG, 95/2015, in force from 1. 1. 2016) "Date of provision of aid" for the purposes of **Art. 188** and **Art. 189b** shall be 31 December of the year for which corporate tax is assigned, and for the purposes of **Art. 189** shall be the date of the order under **Art. 189, p. 1, letter "b"**.

74. (new – SG, 105/14, in force from 1. 1. 2014; amend. – SG 22/15, in force from 01.01.2014, amend. – SG, 95/2015, in force from 1. 1. 2016) "Large enterprises" for the purposes of **Art. 189b** are enterprises which do not meet the criteria, defined in Appendix I of Commission Regulation (EU) No. 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sector and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and revoking Commission Regulation (EU) No. 1857/2006 (OJ, L 193/1 of 1 July 2014) and for the purposes of **Art. 184** in relation to **Art. 189** – the undertakings, which do not fulfill the criteria, defined in the recommendation of the Commission of 6 May 2003 on the definition of micro, small and medium enterprises.

75. (new – SG, 105/14, in force from 1. 1. 2014) "Additional expenses of the MPs" are the ones under Art. 11 of Annex Financial Rules of the Budget of the National Assembly of the Rules for Organization and Activity of the National Assembly.

76. (new – SG, 95/2015, in force from 1.1.2016) “Beginning of fulfillment” for the purposes of **Art. 189** shall be beginning of construction works on the initial investment or taking the first legal binding engagement for order of tangible or intangible assets or other engagements, which make the initial investment irreversible, notwithstanding of their chronologic order. Buying land and preparation activities as receiving permit and conducting preliminary feasible research shall not be considered as beginning of fulfillment of the project.

77. (new – SG, 95/2015, in force from 1.1.2016) “Steel production” and “production of synthetic fiber” for the purposes of Art. 182, Para. 1, p. 1 shall be in the meaning of Annex IV to the Guidelines for regional aid for the period of 2014 – 2020.

78. (new – SG, 95/2015, in force from 1.1.2016) “group level” for the purposes of the tax relief . which is state aid for regional development shall be persons, falling in one of the interrelations under § 1, т. 4 of the Additional Provision of the Tax-insurance Procedure Code.

79. (new – SG, 95/2015, in force from 1. 1. 2016) “Single investment project” shall be any initial investment, made by the same taxable person (at the level of a group) within the term of 3 years from the date of beginning of the fulfillment in another aided investment in the same region on NUTS, level 3, provided under Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS).

80. (new – SG, 95/2015, in force from 1. 1. 2016) “Transport” for the purposes of Art. 182, Para. 1 shall be carriage of passengers by air, sea, road and railway transport and transport on internal water ways or services of load carriage for someone else’s cost or fore remuneration.

81. (new – SG, 95/2015, in force from 1. 1. 2016) “Airports” for the purposes of p. 28 are the ones under the Guidelines of the Community for application of Art. 92 and 93 of the Treaty of EC and of Art. 61 of the EEA for state aid for the aviation sector and the Guidelines of the Community for financing airports and for provision of state initial aid for aviation companies, operating at regional airports, as amended or supplemented.

82. (new – SG, 95/2015, in force from 1. 1. 2016) "Production site" for the purposes of p. 29 shall be a certain place, through which a taxable person carried out production activity , as for example – workshop, plant, factory or any other site through which production activity is carried out.

83. (new - SG 75/16, in force from 01.01.2016) "In kind" for the purposes of art. 204, para. 1, item 4 is the part corresponding to the personal use of assets and/or personnel from the expenditure that does not fall under art. 204, para. 1.1-2 and are associated with own, leased or provided for use assets and/or staff, used both for business and for private use. When the assets are depreciable assets tax, depreciation tax are taken into account instead of accounted depreciation. Expenditure incurred for the benefit of individuals who represent the income acquired within the meaning of art. 11, para. 3 of the Natural Persons Income Tax Act are not expenditures in kind for the purposes of art. 204, para. 1, item 4. Expenditures associated with the use of own, leased or provided for use of assets provided for personal use and/or related to the use of the staff where a fee is payable for their use are not in kind expenditures either.

84. (new - SG 98/18, in force from 01.01.2019, suppl. – SG, 96/19, in force from 01.01.2020, suppl. - SG 14/22, in force from 01.01.2022) "Associated enterprise" for the purposes of Art. 2, para. 4 and 5, Art. 47c and of Chapter Nine, “b” shall mean:

a) an entity, in which the taxpayer holds directly or indirectly a participation in terms of voting rights or capital ownership of 25 percent or more, or is entitled to receive 25 percent or more of the profits of that entity;

b) a natural person or an entity which holds directly or indirectly a participation in terms of voting rights or capital ownership in a taxable person of 25 percent or more, or is entitled to receive 25 percent or more of the profits of the taxable person;

If a natural person or entity holds directly or indirectly a participation of 25 percent or more in the taxable person and in one or more entities, all the entities concerned, including the taxable person, shall be considered as associated enterprises.

For the purposes of Art. 2, para. 4 and 5 and Chapter Nine, “b”;

In the cases of Art. 2, para. 4 and 5, Art. 47f, Para. 1, items 2 - 5 and 7 and Art. 47g, item 3 the requirement for 25 per cent shall be changed to 50 per cent.

A person, who acts with another person in respect of the voting rights or ownership of the capital of an entity shall be treated as having all the voting rights or ownership of the capital of that entity, which the other person has.

A related undertaking is also: an entity, that is part of the same consolidated group for financial reporting purposes as the taxable person; an undertaking in which the taxable person has a significant influence in management; or an undertaking, that has a significant influence in the management of the taxable person.

85. (new - SG 98/18, in force from 01.01.2019, suppl. – SG, 96/19, in force from 01.01.2020, suppl. - SG 14/22, in force from 01.01.2022) "Entity" for the purposes of Art. 2, para. 4 and 5 and Chapter Nine "a" and Chapter Nine "b" is an entity within the meaning of § 1a, item 51 of the Additional Provisions of the Tax Insurance Procedure Code.

86. (new - SG 98/18, in force from 01.01.2019, amend. - SG 25/22, in force from 29.03.2022) "Credit institution" for the purposes of Art. 43 and 43a shall mean a bank within the meaning of Art. 2, Para. 1 of the Credit Institutions Act, licensed by the Bulgarian National Bank for performing banking activity, as well as a person within the meaning of Art. 4, Paragraph 1, item 1 of Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) № 648/2012 (OJ L 176/1 of 27 June 2013), by another Member State licensed by the State of origin concerned which performs banking activity on the territory of the Republic of Bulgaria through a branch.

87. (new – SG, 96/19, in force from 01.01.2020) "Nonconformity" for the purposes of Chapter Nine "b" shall be double deduction or deduction without inclusion.

88. (new – SG, 96/19, in force from 01.01.2020) "Deduction" and "subject to deductible" for the purposes of Chapter Nine "b" shall be the expense or the amount, leading to reduction of the tax financial result under the jurisdiction of the payer or investor jurisdiction.

89. (new – SG, 96/19, in force from 01.01.2020) "Inclusion" and "included" for the purposes of Chapter Nine "b" shall be the income or the amount leading to an increase in the tax financial result, according to the right of jurisdiction of the recipient. A payment under a financial instrument is not considered as included, insofar as the payment qualifies for tax relief under the jurisdiction of the recipient.

90. (new – SG, 96/19, effective from 01.01.2020) "Tax relief" for the purposes of item 89 shall be exemption from taxation, reduction of the tax rate or any tax credit or repayment of tax paid (other, than credit tax for paid tax abroad).

91. (new – SG, 96/19, in force from 01.01.2020) "Double deduction" for the purposes of Chapter Nine "b" shall be deduction of the same payment, expense or loss in the jurisdiction, which is the source of the payment in which the expense was incurred or in which the loss occurred (payer's jurisdiction) and in another jurisdiction (investor's jurisdiction). In the case of payment by a hybrid entity or a place of business, the payer's jurisdiction shall be the jurisdiction, in which the hybrid entity is incorporated or registered, or is located, or in which the place of business is established or located.

92. (new – SG, 96/19, in force from 01.01.2020) "Deduction without inclusion" for the purposes of Chapter Nine "b" shall be deduction of payment or contingent payment between the central management of an entity and its place of business or between two or more places of business of the same entity, in any jurisdiction, in which a payment or contingent payment is treated as made (jurisdiction of the payer) without the corresponding inclusion of the same payment or contingent payment in the jurisdiction of the recipient. Receiver’s jurisdiction is any jurisdiction, in which payment or contingent payment has been received or is deemed to have been received under the law of another jurisdiction

93. (new – SG, 96/19, in force from 01.01.2020) "Double included income" for the purposes of Chapter Nine "b" is any income that is included under the legislation of the two jurisdictions, where there

was discrepancy.

94. (new – SG, 96/19, in force from 01.01.2020) "Person" for the purposes of Chapter Nine "b" shall be a natural person or an entity.

95. (new – SG, 96/19, in force from 01.01.2020, suppl. - SG 14/22, in force from 01.01.2022) "Hybrid entity" for the purposes of Art. 2, para. 4 and 5 and Chapter Nine "b" is an entity or arrangement, each of which is considered to be a taxable entity under the law of one jurisdiction and whose income or expense for tax purposes is considered as such, by one or more other persons under the law of another jurisdiction.

96. (new – SG, 96/19, in force from 01.01.2020) A "financial instrument" for the purposes of Chapter Nine "b" is any instrument, insofar as it results in a return on financing or equity, which is taxable under the rules on the taxation of debt instruments, equity instruments or derivatives in accordance with the law of the jurisdiction of the recipient or payer, and includes hybrid transfer.

97. (new – SG, 96/19, in force from 01.01.2020) "Hybrid transfer" for the purposes of Chapter Nine "b" shall be any arrangement for transfer of a financial instrument, when the base return of the transferred financial instrument is treated for tax purposes, as being received concurrently by more than one of the parties to this arrangement.

98. (new – SG, 96/19, effective from 01.01.2020) "Market hybrid transfer" for the purposes of Chapter Nine "b" is a hybrid transfer, concluded by a financial trader by occupation and not as part of a structured arrangement.

99. (new – SG, 96/19, in force from 01.01.2020) "Financial trader" for the purposes of Chapter Nine "b" is a person, who conducts trades in financial instruments on own account for the purpose of profit.

100. (new - SG 96/09, in force from 01.01.2020) "Structured Arrangement" for the purposes of Chapter Nine "b" is an arrangement, involving hybrid non-compliance when the result of such non-compliance is taken into account in the determination of the terms of that arrangement, or arrangement aiming at hybrid non-compliance. An arrangement, meeting the conditions, set out in sentence one is not considered a structured arrangement if both the taxable person and the affiliate could not be expected to be aware of the hybrid non-compliance and did not enjoy the tax advantage, resulting from this hybrid mismatch.

101. (new – SG, 96/19, in force from 01.01.2020) "Not recognized for tax purposes place of business" for the purposes of Chapter Nine "b" shall be any arrangement, that leads to the occurrence of a place of business activity in another jurisdiction under the legislation of the Republic of Bulgaria and which does not give rise to a place of business under the legislation of that other jurisdiction.

102. (new – SG, 96/19, in force from 01.01.2020) "Consolidated group for the purposes of financial reporting" for the purposes of Chapter Nine "b" is a group, consisting of all entities, that are fully included in the consolidated financial statements, prepared in accordance with International Accounting Standards or the national financial reporting system of a Member State.

103. (new, SG, 96/19, effective from 01.01.2020) "Payment" for the purposes of Chapter Nine "b" shall include any expense or amount, actually paid or for which there is an obligation to pay and which, under the law of the payer's jurisdiction, is an expense, recognized for tax purposes, or an amount, that results in a decrease in the tax financial result.

104. (new – SG, 96/19, in force from 01.01.2020) "Transfer of assets / activity" for the purposes of Art. 155 - 155d is an operation, whereby the Republic of Bulgaria loses, in whole or in part, the right to tax the result of subsequent disposal of these assets / this activity, while the same assets / the same activity remain the legal or economic property of the same person.

105. (new – SG, 96/19, in force from 01.01.2020) "Change of jurisdiction in which a person is resident for tax purposes" for the purposes of Chapter Twenty is present, when a person ceases to be resident for tax purposes of the Republic of Bulgaria and becomes a resident for tax purposes of another jurisdiction.

106. (new – SG, 96/19, in force from 01.01.2020) "Transfer of activity, carried out through a place of economic activity" for the purposes of Art. 155, Para. 1, item 4 is present, when a foreign legal entity

ceases to be taxed in the Republic of Bulgaria through a place of business for the transferred activity and begins to be taxed in another jurisdiction.

107. (new – SG, 96/19, in force from 01.01.2020) "Cost of service" for the purposes of Art. 156 is the cost of the service, determined in accordance with the applicable accounting standards of the part of the enterprise, located in the country.

108. (new – SG, 96/19, in force from 01.01.2020) "Asset" for the purposes of Chapter Twenty is a resource, controlled by the taxable person.

109. (new – SG, 96/19, in force from 01.01.2020) "Activity" for the purposes of items 104 and 106 shall be the totality of assets and liabilities of a taxable person, with whom from an organizational, functional and from a financial point of view, an independent business can be carried out.

110. (new – SG, 96/19, in force from 01.01.2020) "Elements of technical infrastructure" shall be those, within the meaning of Art. 64 of the Spatial Planning Act.

111. (new – SG, 96/19, in force from 01.01.2020) "Repair" for the purposes of Art. 33a is the follow-up activity, related to elements of a technical infrastructure, that does not lead to an economic benefit beyond their originally estimated standard efficiency.

112. (new – SG, 96/19, in force from 01.01.2020) "Improvement" for the purposes of Art. 48 and 69a is the follow-up activity, related to the elements of the technical infrastructure, that result in an economic benefit over that initially estimated standard efficiency.

113. (new – SG, 96/19, in force from 01.01.2020) "Construction" for the purposes of Art. 48 and 69a is an activity for the creation of new elements of a technical infrastructure, which includes the exploration, design and construction of new or the reconstruction of existing elements of a technical infrastructure.

§ 2. (amend. and suppl. – SG 94/10, in force from 01.01.2011; amend. and suppl. – SG 40/12, in force from 01.07.2012; suppl. – SG 91/13, in force from 01.07.2013, suppl. 95/2015, in force from 1. 1. 2016, amend. and suppl. - SG 98/18, in force from 01.01.2019, amend. and suppl. – SG, 96/19, in force from 01.01.2020). This Act introduces the provisions of Directive 2001/86/EC of the Council supplementing the Statute for a European company with regard to the involvement of employees, of Directive 2003/72/EC of the Council supplementing the Statute for a European cooperative society with regard to the involvement of workers and employees, of Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States and of Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (OJ L 345/8 of 29 December 2011) and also of Directive 2013/13/EC of 13 May 2013 adapting certain directives in the field of taxation, by reason of the accession of the Republic of Croatia (OJ, L 141/30 of 28 May 2013). Council Directive 2014/86/EU of 8 July 2014 amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (OJ, L 2019/40 of 25 July 2014), Council Directive (EU) 2015/121 of 27 January 2015 amending Directive 2011/96/EU on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (OJ, L 21/1 of 28 January 2015) and Council Directive (EU) 2016/1164 of 12 July 2016 on laying down rules against tax evasion practices which directly affect the functioning of the internal market (OJ L 193/1 of 19 July 2016) and Council Directive (EU) 2017/952 of 29 May 2017, amending Directive (EU) 2016/1164 as regards discrepancies in hybrid entities and instruments, involving third countries (OJ L 144/1 of 7 June 2017).

Transitional and concluding provisions

§ 3. This Act repeals the Corporate Income Taxation Act (prom., SG, No. 115 of 1997; am., No. 19

of 1998; am., Nos. 21 and 153 of 1998; Nos. 12, 50, 51, 64, 81, 103, 110 and 111 of 1999, Nos. 105 and 108 of 2000, Nos. 34 and 110 of 2001, Nos. 45, 61, 62 and 119 of 2002, Nos. 42 and 109 of 2003, Nos. 18, 53 and 107 of 2004, Nos. 39, 88, 91, 102, 103 and 105 of 2005, Nos. 30, 34, 59 and 63 of 2006).

§ 4. For tax purposes, the transformations of the financial result (accounting profit/loss) in consequence of the application of Art. 23 of the repealed Corporate Income Taxation Act prior to 31 December 2006 shall be regarded as transformations of the accounting financial result in determining the tax financial result in accordance with the respective provision of this Act.

§ 5. Those accounting receipts and expenses of subsequent appraisals (reappraisals and devaluations) of amortizable assets which were assessed prior to 31 December 2003, and until 31 December 2006 are not recognized for tax purposes under Art. 23 of the repealed Corporate Income Taxation Act, shall be recognized for tax purposes in the year in which the respective asset is written off from the tax amortization plan, with the exception of missing assets.

§ 6. (1) The amortizable assets present in the tax amortization plan as at 31 December 2006, with the exception of those referred to in para. 2, shall be regarded as tax amortizable assets within the meaning of **Art. 48**.

(2) The following assets present in the tax amortization plan as at 1 January 2007 shall be written off from it:

1. the positive goodwill;

2. the assets which are not used in activity forming tax financial result;

3. the assets which are classified as held for sale or form part of a group to be released, this group being classified as held for sale;

4. the assets where the taxable person is wound up by way of liquidation or by way of being declared bankrupt.

(3) (amend. - SG 110/07, in force from 01.01.2007) **Art. 66** shall not apply in the cases of write-off of assets under para. 2, items 1 and 2.

§ 7. (1) The tax amortizable value of a tax amortizable asset as at 1 January 2007 shall be its amortizable value as at 31 December 2006 under the repealed Corporate Income Taxation Act.

(2) The tax amortization of a tax amortizable asset as at 1 January 2007 shall be the recognized amount of the amortization expenses of the respective asset as at 31 December 2006 under the repealed Corporate Income Taxation Act.

(3) The tax value of a tax amortizable asset as at 1 January 2007 shall be its tax balance-sheet value as at 31 December 2006 under the repealed Corporate Income Taxation Act.

§ 8. The values of the tax amortizable assets present in the tax amortization plan as at 1 January 2007 shall be the ones as at 31 December 2006 without any changes.

§ 9. (1) The reappraisal reserve in the tax amortization plan shall be written off from it as at 1 January 2007. The write-off is carried out in accordance with the procedure set forth in **§ 10** or **§ 11**. It is up to the taxable person to choose whether to apply **§ 10** or **§ 11**.

(2) The reappraisal reserve within the meaning of para. 1 shall be the reappraisal reserve (the subsequent appraisals reserve) that is included in the tax amortization plan as at 31 December 2006.

(3) Where the tax amortization plan as at 31 December 2006 includes reappraisal reserve (subsequent appraisals reserve) which differs from the one that should have been included according to Art. 22 of the repealed Corporate Income Taxation Act, the said reappraisal reserve shall be revised for the purposes of para. 1.

(4) Sole proprietors shall write off the reappraisal reserve in accordance with the procedure applicable to the persons taxable under this Act.

§ 10. (1) The taxable persons shall make a one-time revision of the values of the amortizable assets in the tax amortization plan as at 1 January 2007 as a result of the write-off of the reappraisal reserve.

(2) The recognized amortization expenses of the respective asset as at 31 December 2006 shall be increased by the amortizable asset's reappraisal reserve that has been written off, and as a result thereof the tax amortization of the asset assessed as at 1 January 2007 shall increase while the tax value of the asset as at 1 January 2007 shall decrease. Following the said increase, the tax amortization of the respective asset may not exceed the tax amortizable value of the asset as at 1 January 2007.

(3) Where a specific asset's reappraisal reserve exceeds the tax balance-sheet value of the asset as at 31 December 2006, the asset shall be written off from the tax amortization plan as at 1 January 2007, and the amount of the excess shall be the amount of the increase of the recognized amortization expenses of other assets of the same category, determined under Art. 22 of the repealed Corporate Income Taxation Act. Where the values of the assets of this category are insufficient for the fulfilment of the requirement under the first sentence, the recognized amortization expenses of assets of the other categories shall be increased.

(4) Following the write-off of the reappraisal reserve, the total amount of the tax values of all assets present in the tax amortization plan as at 1 January 2007 must be equal to the total amount of the tax balance-sheet values of all the assets as at 31 December 2006 decreased by the reappraisal reserve that has been written off.

(5) Paras. 1 through 4 shall not apply where the total amount of the reappraisal reserve that has been written off exceeds the total amount of the tax balance-sheet values of all the assets present in the tax amortization plan as at 31 December 2006. The taxable persons shall write off from the tax amortization plan as at 1 January 2007 all the assets present therein as at 31 December 2006. In the course of determining the tax financial result, including the determining of the quarterly advance contributions under **§ 11**, the accounting financial result shall be increased by the difference between the total amount of the reappraisal reserve and the total amount of the tax balance-sheet values of all the assets as at 31 December 2006.

§ 11. (1) In the course of determining the tax financial result, including the determining of the quarterly advance contributions, the accounting financial result shall be increased by the reappraisal reserve that has been written off as follows:

1. for the year 2007 – by one third of the reappraisal reserve that has been written off;
2. for the year 2008 – by one third of the reappraisal reserve that has been written off;
3. for the year 2009 – by one third of the reappraisal reserve that has been written off.

(2) Upon winding-up of the taxable person, except for the winding-up in the cases of transformation by way of changing the legal form under **Art. 264 of the Commerce Act**, for the purpose of determining the tax financial result for the year of winding-up the accounting financial result shall be increased by that part of the written-off reappraisal reserve with which the accounting financial result was not increased under para. 1.

(3) The taxable person shall be entitled to make a one-time increase of the accounting financial result by the written-off reappraisal reserve for the purpose of determining the tax financial result for the year 2007, including the determining of the quarterly advance contributions. In that case paras. 1 and 2 shall not apply.

§ 12. The provision of **Art. 55, para. 1, item 6** shall apply to fixed tangible assets acquired after 31 December 2006.

§ 13. For the purposes of **Art. 55** the amortizable asset under § 1, item 55, letter "f" of the Supplementary Provisions of the repealed Corporate Income Taxation Act shall belong to the category V.

§ 14. For the purposes of **Art. 55** the amortizable asset formed under the repealed Corporate Income Taxation Act as a result of the unrecognized part of the excess of the aggregate of accounting amortization quotas over the aggregate of recognized amortizations of the assets for the period commencing on 1 January 1998 and ending on 31 December 2002 shall belong to category VII.

§ 15. (amend. - SG 110/07, in force from 01.01.2007) The provision of **Art. 59** shall not apply to a tax depreciable asset of which the assessment of its tax depreciation was suspended by 31 December 2006 under the repealed Corporate Income Taxation Act, because it is temporarily not involved in the activity. The assessment of tax depreciation of the asset referred to in the first sentence shall resume from the beginning of the month of resuming the exploitation of the product.

§ 16. The provision of **Art. 63** shall apply to subsequent expenses completed after 31 December 2006.

§ 17. For the purposes of **Art. 66, para. 1**, where the residual value is not included in the amortizable value of the asset within the meaning of the repealed Corporate Income Taxation Act, when determining the tax financial result the accounting balance-sheet value of the asset shall be decreased by its residual value.

§ 18. **Art. 68** shall apply to assets acquired after 31 December 2005.

§ 19. **Art. 45** shall not apply to those cases in which the financial result for tax purposes is increased by the subsequent appraisal reserve (reappraisal reserve) under Art. 23 of the repealed Corporate Income Taxation Act.

§ 20. Those interest expenses which are not recognized after 1 January 2004 under Art. 26 of the repealed Corporate Income Taxation Act and are subject to deduction but have not been deducted until 31 December 2006, shall be deducted in accordance with the procedure under **Art. 43** within a period of 5 years following the year of their non-recognition for tax purposes.

§ 21. That part of the provisions for receivables that has been taxed for tax purposes (under the accounting legislation effective until 31 December 2001) in the non-financial enterprises by which the financial result for the subsequent years is not decreased under Art. 23, para. 3 of the repealed Corporate Income Taxation Act shall be regarded as unrecognized expense of a subsequent appraisal of a receivable under **Art. 34** of this Act.

§ 22. Those losses formed after 1 January 2002 which are subject to carry-forward and have not been deducted until 31 December 2006 under the procedure of Chapter Four of the repealed Corporate Income Taxation Act shall be deducted under the procedure of **Chapter Eleven**.

§ 23. **Art. 95** shall not apply to receipts and expenses resulting from receipts and expenses accounted for prior to 1 January 2007 for which there was a difference between the amount accounted for under the accounting policy and the amount determined by a regulatory body under a statutory instrument.

§ 24. As for the corporate tax due for the year 2006, the right to abatement thereof under Art. 60, para. 1 or assignment thereof under Art. 61d or 61e of the repealed Corporate Income Taxation Act shall also be enjoyed by a taxable person that has not filed a notification with the respective territorial directorate of the National Revenue Agency under Art. 51a of the repealed Corporate Income Taxation Act, providing

that the said person meets all requirements set forth in Act regarding the respective abatement or assignment of corporate tax.

§ 25. The corporate tax shall be assigned in accordance with the procedure set forth in **Art. 187** until 31 December 2010.

§ 26. (revoked - SG 110/07, in force from 01.01.2007)

§ 27. The annual taxable profit (loss), the annual corporate tax due, all alternative taxes, the taxes on expenses as well as the taxes withheld at the source for the year 2006 which are subject to being declared under the repealed Corporate Income Taxation Act shall be declared by submission of the respective tax returns within the time limits fixed in the said Act.

§ 28. (1) The taxes due for the year 2006 under the repealed Corporate Income Taxation Act shall be paid in accordance with the procedure and within the time limits fixed in the said Act.

(2) The right under **Art. 92, para. 5** shall also be enjoyed by the taxable persons declaring the corporate tax for the year 2006.

§ 29. The standard forms of the annual tax returns for the year 2006 under the repealed Corporate Income Taxation Act shall be approved not later than 10 January 2007 by way of an Ordinance issued by the Minister of Finance and promulgated in the State Gazette.

§ 30. (amend. - SG 110/07, in force from 01.01.2007) Those provisions which are included in the historical value of a tax amortizable asset but are not included in the amortizable value thereof under the repealed Corporate Income Taxation Act shall be deemed provisions out of the taxable depreciable value of the asset under **Art. 53, Para1**.

§ 31. (revoked - SG 110/07, in force from 01.01.2008; new – SG 69/08, in force from 01.01.2009) The securities provided under the revoked **Art. 109** shall be released.

§ 32. The **Tax Insurance Procedure Code** (prom., SG, No. 105 of 2005; am., Nos. 30, 33, 34, 59, 63, 73 and 82 of 2006) shall be amended and supplemented as follows:

1. In Art. 141:

a) the word "30 days" in para. 1 shall be replaced by "60 days";

b) in para. 2:

aa) "and has not cured the incompleteness within 15 days following the date when so required by the revenue body" shall be added at the end of the first sentence;

bb) the word "absence" in the second sentence shall be replaced by "presence";

c) "or absence of a decision within the term under para. 1" shall be added after the words "application of a treaty on avoidance of double taxation" in para. 3;

d) paras. 4 and 5 shall be amended as follows:

"(4) The opinion of absence of grounds for applying a treaty on avoidance of double taxation shall be subject to being appealed against by the recipient of the income or by the payer if the latter is authorized thereof by the recipient of the income. The procedure for the appeal shall be the same as the one for the appeal against audit reports and the statement of appeal shall be filed with the territorial directorate with which the request was filed.

(5) Where, according to the opinion, there are grounds for applying a treaty on avoidance of double taxation under paras. 1 or 2, changes in the tax liability for the respective income shall be made only where the grounds under Art. 133, para. 2 are present."

2. The amount "25,000" in Art. 142, paras. 1 and 2 shall be replaced by "50,000".

§ 33. This Act takes effect on 1 January 2007.

The Act was adopted by the 40th National Assembly on 14 December 2006 and has the official seal of the National Assembly affixed thereto.

Transitional and concluding provisions
TO THE TO THE MARKETS IN FINANCIAL INSTRUMENTS ACT

(PROM. - 52/07, IN FORCE FROM 01.11.2007)

§ 27. (1) This Act shall enter into force from 1 November 2007 except § 7, Items 6, 7, 8, 18, 19, 22 – 24, 26 – 28, 30 – 40, Item 44, Letter "b", Items 47, 48, Item 49, Letter "a", Items 50 – 62, 67, 68, 70. 71, 72, 75, 76, 77, Item 83, Letters "a" and "d", Item 85, Letter "a", Items 91, 93, 94, Item 98, Letter "a", Subletter "aa", second sentence regarding the replacement, Subletter "bb", second sentence regarding the replacement, Subletter "cc", second sentence regarding the replacement and Subletter "cc", second sentence regarding the replacement, Item 99, Letters "d" and "e", Item 101, Letter "b" and Item 102, § 8, § 9, Item 4, Letter "a", Items 5 and 7, § 14, Item 1 and § 19 which shall enter into force three days after the promulgation of the Act in the State Gazette.

(2) Paragraph 7, Item 6, 7 and 8 shall apply by 1 November 2007.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. - SG 108/07, IN FORCE FROM 01.01.2007)

§ 36. This Act shall enter into force from the day of its promulgation in the State Gazette except § 35, which shall enter into force from 1 January 2007.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. - SG 110/07, IN FORCE FROM 01.01.2008)

§ 56. (in force from 01.01.2007) The overpaid corporate tax, profit tax and municipality tax under the revoked Corporate Income Taxation Act (prom. - SG 115/97; corr. - SG 19/98; amend. - SG 21 and 153/98; SG 12, 50, 51, 64, 81, 103, 110 and 111/99; SG 105 and 108/00, SG 34 and 110/01, SG 45, 61, 62 and 119/02, SG 42 and 109/03, SG 18, 53 and 107/04, SG 39, 88, 91, 102, 103 and 105/05, SG 30, 34, 59 and 63/06; revoked – SG 105/06), which were not deducted, refund or set off by 31 January 2006, shall be deducted under the order of Art. 94.

§ 57. (in force from 01.01.2007) Any taxable persons who have been assigned a tax under Art. 58 of the revoked Profit Taxation Act (prom. - SG 59/06; amend. - SG 110/96, SG 16, 49, 86 and 89/97; revoked – SG 115/97) or under the revoked Art. 20 of the Investment Promotion Act, adopting the International Accounting Standards, shall not apply **Chapter Thirteen** on changing the accounting policy regarding the accounting of the assigned taxes. When estimating the tax financial result for the year of adopting the International Accounting Standards and for the following years, the accounting financial result

shall be increased by the portion of the funding, estimated in relation to the assigned tax, that was not recognized as an income before the adoption of the International Accounting Standards, while the amount of the increase shall be distributed across the years in question proportionally to the accounted expenses during these years related to the performance of the conditions for tax assignment. When the assigned tax was invested in depreciable assets, the increase referred to in the second sentence shall be distributed by years on the basis of the accounted expenses for depreciation of these assets during the relevant years.

§ 58. (in force from 01.01.2007) The tax relief under **Chapter Twenty-Two**, **Section IV**, except **Art. 187**, may be used by 31 December 2013. The tax relief under **Art. 184**, in the form state aid for regional development, may be used when the performance of the relevant initial investment has started aft6er 31 December 2006, but before 1 January 2014.

§ 59. (in force from 01.01.2007) The tax relief under **Art. 184**, of which the Minister of Finance has notified the European Commission under the order of **Art. 8 of the State Aid Act**, in the form of state aid for regional development, shall enter into force upon delivery of a positive decision by the European Commission regarding its compliance with the Guidelines on National Regional Aid for 2007 – 2013 of the European Commission. Provided that the European Commission delivers a positive decision by 31 March 2008, the tax relief may be applied for 2007 as well. After delivery of a positive decision by the European Commission the Minister of Finance shall not draw up personal notifications for the taxable persons, applying **Art. 184**, except for those, performing large investment projects under **Art. 189**.

§ 60. The tax depreciable assets by 31 December 2007, which have been written off for accounting purposes but have not been written off the tax depreciation plan on the grounds of Art. 22, Para 12, Item 2 of the revoked Corporate Income Taxation Act due to lack of economical benefit expected from them, or on the grounds of **Art. 60, Para 3, Item 1**, shall be written off the tax depreciation plan by 1 January 2008. The provision of **Art. 66, Para 2** shall apply, including for estimation of the quarterly advance contributions for 2008. The first and second sentence shall not apply to assets, which have been written off for accounting purposes as being entirely depreciated.

§ 61. The provision of **Art. 140, Para 7** shall not apply in case of transformation having a date of entry in the commercial register before 1 January 2008.

§ 62. Shall not be recognized for taxation purposes the accounting income and expenses, profits and losses, accounted by a partner in an undertaking under joint control resulting from the method of proportional consolidation, where the undertaking under joint control is a taxable person.

§ 63. (1) In case of estimating the tax financial result of financial institutions their accounting financial result shall be reduced by the dividends distributed by local legal persons during the current year, where the investment is accounted according to the method of the own capital.

(2) In case of estimating the tax financial result of taxable persons other than financial institutions, their accounting financial result shall be reduced by the dividends distributed by local legal persons for the period from acquisition to writing off the investment, where the investment is accounted according to the method of the own capital. The reduction under the first sentence shall be made in the year of writing off the investment.

(3) Para 1 and 2 shall not apply to:

1. dividends distributed from profits, made before acquisition of the investment from the taxable person, or

2. dividends distributed by licensed special investment companies under the **Special Investment Companies Act**.

§ 64. (1) In case of estimating the tax financial result of a local parent company, which is a financial institution, its accounting financial result shall be reduced by the dividends, distributed during the current year by its subsidiary company from a Member State, if the investment in the subsidiary company is accounted according to the own capital method.

(2) In case of estimating the tax financial result of a local parent company, which is not a financial institution, its accounting financial result shall be reduced by the dividends, distributed by its subsidiary company from a Member State for the period from acquisition to writing off the investment in the subsidiary company, if the investment in the subsidiary company is accounted according to the own capital method. The reduction under the first sentence shall be made in the year of writing off the investment.

(3) Para 1 and 2 shall apply also from a place of economic activity in the country in case of distribution of dividends from a foreign person, where the conditions of **Art. 105, Para 2, Item 1 – 3** have been met.

(4) Where dividends under the order of Para 1 or 3 have been distributed within two years from the moment of acquisition of at least 15 percent of the capital of the company distributing the dividends, the taxable person shall be entitled to reduce its financial result under the order of Para 1. In case that before expiration of the two years the taxable person ceases owning at least 15 percent of the capital of the company, the tax financial result and the due corporate tax for the year of applying Para 1, shall be adjusted in a way, as if Para 1 has not been applied. For the period from the date when the corporate tax had to be deposited to the date of its depositing a late payment interest shall be due under the general order.

(5) Para 1 – 4 shall not apply to dividends distributed from profits, gained before acquisition of the investment by the taxable person.

§ 65. Para 62, 63 and 64 of this Act shall apply when estimating the tax financial result for 2007.

§ 66. Para 16 and 17 of this Act shall apply to assets, acquired after 31 December 2007.

. . . . . .

§ 68. This Act shall enter into force from 1 January 2008, except Para 7, 21, 24, 38 – 45, 49, 50, § 54, Items 3 – 7, § 55, Items 1 – 4 and § 56 – 59, which shall enter into force from 1 January 2007.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACCOUNTANCY ACT

(PROM. – SG 69/08, IN FORCE FROM 05.09.2008)

§ 7. This Act shall enter into force from 5 September 2008 except § 3, which shall enter into force from the day of its promulgation in the State Gazette, and of § 6, which shall enter into force from 1 January 2009.

Additional provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 106/08, IN FORCE FROM 01.01.2009)

§ 16. Everywhere in this Act the words "Member State of the European Community", "Member States of the European Community" and "State outside the European Community" shall be replaced

respectively by "Member State of the European Union", "Member States of the European Union" and "State outside the European Union".

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 106/08, IN FORCE FROM 01.01.2009)

§ 17. In 2009 no reduction under **Art. 177** shall take effect, where during 2008 tax relief under the revoked **Art. 192** was used for the employed persons.

§ 18. **Art. 189a** shall apply to revenue from investments in assets acquired after 1 January 2009.

§ 19. This Act shall enter into force from 1 January 2009 except § 12, Item 2 regarding **Art. 209, Para 3, Items 3 and 4** which shall enter into force from 1 January 2010.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE INCOME TAXES ON NATURAL PERSONS ACT

(PROM. - SG 32/09, IN FORCE FROM 01.01.2010)

§ 6. The Act shall enter into force from the 1st of January 2010.

Concluding provisions
TO THE ACT ON DEFENCE AND ARMED FORCES

(PROM. - SG 35/09, IN FORCE FROM 12.05.2009)

§ 46. The Act shall enter into force from the date of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. - SG 95/09, IN FORCE FROM 01.01.2009; AMEND. – SG 100/13, AMEND. – SG 58/17, IN FORCE FROM 18.07.2017)

§ 39. Paragraphs 13, 28, 35 and 36 of this Act shall apply also to the annual business report for 2009. The annual financial statements for 2009 and the audit reports thereto shall not be submitted to the National Revenue Agency.

§ 40. The reduction of the corporate tax under the revoked **Art. 186** shall be accrued with other state aid approved by a resolution of the European Commission or having been permitted under Art. 9 of the State Aid Act for the acquired long term tangible and intangible assets, up to the maximum allowable intensity of the aid, determined by the Map of the National Regional State Aid.

§ 41. The tax relief under **Art. 189b** shall apply upon issuance of a positive decision by the European Commission for Conformity with the Rules in the Field of State Aid. Should the European Commission issue a positive resolution by 31 March 2011, the tax relief may be applied also for 2010. Remittance of advance payments of corporate tax to agricultural producers shall not be allows up to the date of the positive resolution of the European Commission.

§ 42. (amend. – SG 58/17, in force from 18.07.2017) An administrator of a state aid under **Art. 189b** shall be the Minister of Agriculture, Foods and Forestry. The Minister of Agriculture and Foods shall notify the European Commission following the provisions and the procedure, set in the **State Aid Act**.

§ 43. (amend. – SG 100/13, in force from 19.11.2013) The tax reduction as per **Art. 189b** may be used up to the 31st of December 2013, including for the corporate income tax for year 2013.

……..

§ 51. The Act shall enter into force from 1 January 2010, except for § 10, 11 and 14, which shall enter into force from 1 January 2009.

Transitional and concluding provisions TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 94/10, IN FORCE FROM 01.01.2011)

§ 25. The preservation of the right to tax assignment referred to in **Art. 185, Para 1 and 2** shall apply by 31 December 2013.

§ 26. (1) The cooperations and the undertakings formed by them shall pay 50 percent of the assigned corporate tax for 2010 under the revoked **Art. 187** to the investment funds of the cooperative unions by 31 March 2011.

(2) By 30 June 2011 the cooperative unions shall report before the Ministry of Finance on the receipt and spending of the corporate tax for 2010 that was assigned to them under the revoked **Art. 187**. Where non-compliance with the assignment conditions has been established, the assigned tax that has been received by the cooperative unions shall be reimbursed by them to the republic budget, including the accrued interest.

(3) Any person failing to perform the obligation under Para 2 shall be imposed a property sanction between BGN 1000 and 3000.

§ 27. Paragraph 22, Item 2 shall apply also to the tax calculations under this Act for 2010.

…….

§ 31. This Act shall enter into force from 1 January 2011 except § 22, Item 2, which shall enter into force from the date of its promulgation in the State Gazette.

Transitional and concluding provisions TO THE ACT AMENDING AND SUPPLEMENTING THE INCOME TAXES ON NATURAL PERSONS ACT

(PROM. - SG 31/11, IN FORCE FROM 01.01.2011)

§ 22. The Act shall enter in force from 1st of January 2011, except for § 8, which shall enter in force from the beginning of the month, following the month during which this Act has been promulgated in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE SOCIAL SUPPORT ACT

(PROM. - SG 51/11)

§ 10. (1) The Social Support Fund - which is a sub-delegated administrator of spending at the Minister of Labour and Social Policy - shall be closed. The available resources of the closed Social Support Fund shall be transferred to the budget of the Social Protection Fund.

(2) The Social Protection Fund is the legal successor of the assets, liabilities, rights and obligations of the Social Support according to the statement and balance sheet by the date of entry into force of this Act.

§ 11. (1) Within three months from the entry into force of this Act the Minister of Labour and Social Policy shall endorse the Rules for the Organization and Operation of the Social Protection Fund as well as a methodology for allocation of the fund’s resources.

(2) Within three months from the entry into force of this Act the Minister of Labour and Social Policy shall select members of the Managing board and assign and Executive Director of the Social Protection Fund.

(3) Former members of the Managing board of the closed Social Support Fund shall continue to exercise their powers until new members of the Managing board are selected and the new Executive Director under para 2 is assigned.

(4) The Rules for the Operation of the Social Support Fund (which has not been promulgated), issued on the ground of the repealed Art. 30, shall be applied until the Rules mentioned in para 1 is endorsed.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE INCOME TAXES ON NATURAL PERSONS ACT

(PROM. – SG 99/11, IN FORCE FROM 01.01.2012)

§ 21. This Act shall enter into force from 1 January 2012 except for § 1, which shall enter into force from the day of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE ACT ON STATISTICS OF INTRA-COMMUNITY TRADE IN GOODS

(PROM. – SG 40/12, IN FORCE FROM 01.07.2012)

§ 13. This Act shall enter into force from 1 July 2012 except for § 12, which shall enter into force from the day of the promulgation of the Act in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. – SG 94/12, IN FORCE FROM 01.01.2013)

§ 54. Persons who have paid in the fourth quarter of 2012 tax withheld at the source under **Art. 194** and **195** of the Corporate Income Taxation Act, and persons that have accrued in the fourth quarter of 2012 income under **Art. 12, Para 3 and Para 8, Item 2** of the Corporate Income Taxation Act shall file a declaration in a form according to the procedure in for on 31 December 2012 specified in **Chapter Twenty-Six of the Corporate Income Taxation Act**.

§ 55. Under the **Chapter Twenty-Six of the Corporate Income Taxation Act** shall be declared the due taxes after 1 January 2013, including the taxes due but unpaid by 31 December 2012. In respect of the taxes due but unpaid by 31 December 2012 , the deadline for filing the statement under **Art. 201, Para 1** of the Corporate Income Taxation Act is 31 July 2013.

§ 56. In the annual tax statement under **Art. 92** of the Corporate Income Taxation Act for 2012 shall be declared also the advance contributions for 2013 determined as set out in **Art. 86** and **87**.

….....

§ 65. This Act shall enter into force from 1 January 2013, except for § 61, Item 2, Letter "a", Items 3, 4 and 6, Item 7 – regarding Art. 86, Para 7, and Item 9 and § 64, which shall enter into force on the day of promulgation of this Act in the State Gazette, § 61, Item 5, Item 6 – regarding Art. 86, Para 5 and 6, and Item 8, which shall enter into force from 1 April 2013, and § 47, Item 9, Letter "c" - regarding Art. 159, Para 5, and Item 11, which shall enter into force from 1 July 2013.

Transitional and concluding provisions
TO THE PUBLIC FINANCE ACT

(PROM. - SG 15/13, IN FORCE FROM 01.01.2014)

§ 123. This Act shall enter into force as of January 1, 2014, except for § 115, which shall enter into force as of January 2013 and § 18, § 114, § 120, § 121 and § 122, which shall enter into force from February 1, 2013.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. – SG 23/13, IN FORCE FROM 08.03.2013)

§ 14. This Act shall enter into force from he day of the promulgation of the Act in the State Gazette.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 68/13, IN FORCE FROM 01.01.2014)

§ 4. (repealed – SG 100/13, in force from 01.01.2014)

§ 5. This Act shall enter into force from January 1st, 2014.

Concluding provisions
TO THE ACT SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 91/13, IN FORCE FROM 01.07.2013)

§ 7. The act shall enter into force from the date of entering of the Treaty concerning the Accession of the Republic of Croatia to the European Union.

Transitional and concluding provisions
TO THE ACT SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 100/13, IN FORCE FROM 01.01.2014, AMEND. – SG, 105/14, IN FORCE FROM 1. 1. 2014; AMEND.- SG 22/15, IN FORCE FROM 01.01.2014, AMEND. – SG, 95/2015, IN FORCE FROM 1. 1. 2016)

§ 14. (amend. – SG, 105/14, in force from 1. 1. 2014, amend. – SG, 95/2015, in force from 1. 1. 2016) After December 31st, 2013, tax reliefs under the procedure of **Chapter Twenty Two, Section IV**, may be used up to December 31st, 2010. Tax relief under **Art. 184**, constituting state aid for regional development, may be applied to projects used for initial investment , which have begun after the enforcement of the scheme for state aid and after submission of the application form for aid, but before January 1st, 2021.

§ 15. (amend. – SG, 95/2015, in force from 1. 1. 2016) Tax relief under **Art. 184**, of which the Minister of Finance has notified the European Commission as per Art. 8 of the Law on the State Aid, constituting a state aid for regional development, shall enter into force after the issuance of a positive decision of the European Commission with regard to its compliance with the Guidelines of the National Regional Aid for 2014 – 2019. The Corporate tax for 2015 shall be assigned in case that an application form is sent within the term of 1 January 2016 to 29 February 2016, there is an approval on behalf of the Bulgarian Investment Agency by 31 March 2016 and all the conditions of this act have been fulfilled for application of tax relief, representing state aid for regional development, where for the purposes of **Art. 184, p. 1, letter "b"** the list of municipalities with level of unemployment with, or above 25% higher than the average for the country, applied to year 2014. Re-assigning of preliminary payments for 2015 of corporate income tax shall not be admitted. After the positive decision is pronounced by the European Commission, Minister of Finance shall not make individual notifications of taxable persons applying **Art. 184**, except for those who perform large investment projects as per **Art. 189**.

§ 16. (amend. – SG, 95/2015, in force from 1. 1. 2016) The right to re-assign tax under **Art. 184**, in relation to **Art. 189**, shall be applied up to December 31st, 2020, including for corporate tax for 2020.

§ 17. (amend. – SG, 105/14, in force from 1. 1. 2015; amend. – SG 22/15, in force from 01.01.2014) Tax relief under **Art. 189b**, shall be applied upon receipt of a receipt with the final identification number of the aid of the European Commission according to Commission Regulation (EU)

No. 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sector and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union and revoking Commission Regulation (EU) No. 1857/2006. Provided that the receipt of the European Commission is received by 31st March 2015, the tax relief may be applied for 2014. Re-assignment of the preliminary payments of corporate tax of the farmers shall not be admitted before the date of receipt of the receipt of the European Commission with the final aid identification number.

(2) The tax relief under **Art. 189b** is a subsequent fiscal scheme within the meaning of the provision of par. 1 because the activity has already been covered by the previous scheme in the form of a tax relief, and therefore investment of assets under **Art. 189b** is allowable to have started before the receipt of the European Commission receipt containing the aid identification number, however only after 31 December 2013.

§ 18. This Act shall enter into force from 1st of January 2014, except for § 12, which shall enter into force from the day of promulgation of the Act in the State Gazette.

Concluding provisions
TO THE ACT SUPPLEMENTING THE TAX-INSURANCE PROCEDURE CODE

(PROM. – SG 109/13, IN FORCE FROM 01.01.2014)

§ 24. The Act shall enter into force from 1st of January 2014, except for § 23, which shall enter into force after a ruling from the European Commission to extend the duration of existing authorized State aid scheme.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACT ON THE OPERATION OF COLLECTIVE INVESTMENT SCHEMES AND OTHER COLLECTIVE INVESTMENT Undertakings

(PROM. – SG 109/13, IN FORCE FROM 20.12.2013)

§ 95. The Act shall enter into force from the day of promulgation of the Law in the State Gazette, except for § § 88, 89 and 90, which shall enter into force from January 1, 2014.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE GAMBLING ACT

(PROM. – SG 1/14, IN FORCE FROM 01.01.2014)

§ 29. Any taxes paid on unused certification marks for participation till December 31, 2013 shall be refunded to the person pursuant to the repealed Art. 233 of the Corporate Income Taxation Act, where after the above-mentioned date any of the following events takes place:

1. completion of a share (draw) of lottery games, or

2. termination of the license of the organizer pursuant to Art. 35, para 1, item 4 of the Gambling Act.

.. ..

§ 34. The Act shall enter into force as of January 1, 2014.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACT ON ECONOMIC AND FINANCIAL RELATIONS WITH COMPANIES REGISTERED IN A JURISDICTIONS WITH PREFERENTIAL TAX REGIME, PERSONS RELATED THERETO AND THEIR ACTUAL OWNERS (PROM. – SG 1/14, IN FORCE FROM 01.01.2014)

(ОБН. - ДВ, БР. 1 ОТ 2014 Г., В СИЛА ОТ 01.01.2014 Г.)

§ 8. The Act shall enter into force as of January 1, 2014.

Transitional and concluding provisions
TO THE ACT, AMENDING AND SUPPLEMENTING THE ACT ON VALUE ADDED TAX

§ 39. In the Act on Corporate Income Taxation (publ. – SG, 105/2016, amend. 52, 108 and 110 of 2007, 69 and 106 of 2008, 32, 35 and 95 of 2009, 94 of 2010, 19, 31, 35, 51, 77 and 99 of 2011, 40 and 94/2012, 15, 16, 23, 68, 91, 100 and 109 0f 2013 and 1/2014) , the following amendments and supplements shall be made:

22. everywhere the word “the republican” shall be replaced by “the state”.

…….

§ 40. Taxable persons, who do not meet the conditions for application of **Art. 184** in relation to **Art. 188** of the Act on Corporate Income Taxation and which during 2014 have applied **Art. 91** in relation to the previous **Art. 188** of the Act on Corporate Income Taxation for the assigned during 2014 advance payments shall not owe interests under **Art. 9** and **89** of the Act on Corporate Income Taxation.

§ 41. Under the condition that by 31 Mart 2015, the European Commission orders a positive decision on the taxation relief, representing state aid, the application form for aid under **Art. 189** of the Act on the Corporate Income Taxation shall be submitted with the annual declaration for 2014, in case that the fulfilment of the relevant first investment has started after 31 December 2013, but not before the positive decision is in fact.

Transitional and concluding provisions
TO THE ACT ON THE STATE BUDGET OF THE REPUBLIC OF BULGARIA IN 2015

(PROM. – SG 107/14, IN FORCE FROM 01.01.2015)

§ 21. The Act shall enter into force on 1 January 2015, except for § 19 which shall enter into force on 1 December 2014.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. – SG 22/15, IN FORCE FROM 01.01.2014)

§ 6. The Act shall enter into force from 1 January 2014.

Transitional and concluding provisions
TO THE ENERGY EFFICIENCY ACT

(PROM. - SG 35/15, IN FORCE FROM 15.05.2015)

§ 32. The act shall enter into force from the date of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE PRE-SCHOOL AND SCHOOL EDUCATION ACT

(PROM. - SG 79/15, IN FORCE FROM 01.08.2016)

§ 60. This Act shall enter into force from 1st August 2016, with the exception of:

1. Art. 22, para. 2 it. 3, 4 and 13 and para. 3, Chapter Six, Sections I, II and III and § 58, which shall enter into force one month after the promulgation of the Act in the "State Gazette"

2. Chapter Seven, which shall enter into force two months after the promulgation of the Act in the "State Gazette"

3. Chapter Sixteen, which shall enter into force on January 1, 2017;

4. § 46 it. 1, letter "a", which shall enter into force on August 1, 2022.

Transitional and concluding provisions
TO THE ACT, AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PUBL. – SG, 95/2015, IN FORCE FROM 1. 1. 2016)

§ 24. The act shall come into force from 1, January 2016.

Transitional and concluding provisions
TO THE ACCOUNTANCY ACT

(PUBL. – SG, 95/2015, IN FORCE FROM 1. 1. 2016)

§. 29. The act shall come into force from 1 January 2016 with the exception of Art. 48 – 52, which shall come into force from 1 January 2017.

Transitional and concluding provisions
TO THE ACT SUPPLEMENTING THE LOCAL TAXES AND FEES ACT

(PROM. - SG 32/16, IN FORCE FROM 01.01.2017)

§ 8. This act shall come into force on 1 January, 2017, with the exception of § 3, which shall come into force on the day of the promulgation of the act in the State Gazette, and § 6, which shall come into force on 1 April, 2016.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE NON-PROFIT LEGAL ENTITIES ACT

(PROM. – SG 74/2016, IN FORCE FROM 01.01.2018)

§ 40. The Act shall enter into force from January 1, 2018.

ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAX ACT

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAX ACT

(PROM. – SG 75/2016, IN FORCE FROM 01.01.2015)

§ 13. (1) Taxable persons declare their choice under **art. 24, para. 3 of the Natural Persons Income Tax Act** for 2016 in the annual tax return for 2016.

(2) Taxable person who until the date of promulgation of this law has applied the rules for the taxation of expenses in kind, such as non-cash income of individuals under the **Natural Persons Income Tax Act** may choose, as declared with their annual tax return, submitted for 2016:

1. to continue to apply this procedure until the end of 2016, or

2. (in force from 01.10.2016) to apply **art. 204, para. 1, item 4** until the end of 2016.

§ 14. The data under **art. 239, para. 3** and **art. 246, para. 3** shall be declared in the first declaration for 2017.

§ 15. (1) The documentary justification of expenditures associated with the operation of the vehicles when they carry out management activities carried out from 1 January 2016, until the date of promulgation of this act in the State Gazette, is present also where they are documented with only a fiscal receipt from fiscal device or with a receipt from the integrated automatic system for the management of commercial activities and if no a travel sheet has been issued.

(2) For determination of the taxable amount for the tax under **art. 204, para. 1, item 4** for 2016 for the expenditures in kind relating to vehicles, expenditures relate to private use, where the total of all costs associated with the vehicle, multiplied by 50 percent when the promulgation of this act in the State Gazette is used for managerial activity and costs for this activity have been documented with only a fiscal receipt from fiscal device or with a receipt from the integrated automated management system for commercial activity and/or no travel sheet has been issued.

.....

§ 19. The law shall enter into force on 1 January 2016, with the exception of:

1. paragraph 13, para. 2, item 2, which shall enter into force on the 1st day of the month following the date of its promulgation in the State Gazette ;

2. paragraphs 2, 8, 9, 10, 17 and 18, which shall enter into force on the date of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE EXCISES AND TAX WAREHOUSES ACT

(PROM. – SG 97/16, IN FORCE FROM 01.01.2017)

§ 47. In Corporate Income Taxation Act, the following amendments and supplements shall be made:

……

7. Everywhere in this Act the words "National Accounting Standards for Small and Medium-Sized Enterprises" shall be replaced respectively by "National Accounting Standards".

§ 48. (in force from 01.01.2018) Declarations of a standard form according to the Corporate Income Taxation Act, for which the obligation to submit occurs after December 31, 2017, shall be submitted electronically.

§ 49. (in force from 01.01.2018) Taxable persons under the Corporate Income Taxation Act shall not get deduction from the annual corporate tax due according to the revoked **Art. 92, Para 5** of this Act for

their annual tax return for year 2017.

§ 50. Upon finding in 2017 of accounting and other errors and reflecting any adjusting events within the meaning of applicable accounting standards related to the year 2016, the taxpayer may once, by September 30, 2017, correct the tax financial result and the tax liability by filing a new tax return for 2016.

.....

§ 61. This act shall enter into force on January 1, 2017, except for § 47, item 1 and 5, letter "b", § 48 and § 49, which shall enter into force from January 1, 2018.

Concluding provisions
TO THE ACT AMENDING THE ACT ON BULGARIAN FOOD SAFETY AGENCY

(PROM. - SG 58/17, IN FORCE FROM 18.07.2017)

§ 36. In the Act amending and supplementing the Corporate Income Taxation Act in § 42 everywhere the words "Minister of Agriculture and Food" and "Ministry of Agriculture and Food" shall be replaced with words "Minister of Agriculture, Food and Forestry" and "Ministry of Agriculture, Food and Forestry".

.....

§ 76. This Act shall enter into force on the day of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE TAX-INSURANCE PROCEDURE CODE

(PROM. - SG 92/17, IN FORCE FROM 01.01.2018)

§ 27. The provision of **Art. 92 para. 4** of the Corporate Income Tax Act also applies to the annual tax return and the annual activity report for 2017.

……..

§ 31. The Act shall enter into force on 1 January 2018 with the exception of:

1. Paragraphs 1, 4 to 9, § 10, items 2 and 3, § 26 and 29, which shall enter into force three days after the promulgation of the Act in the State Gazette;

2. Paragraph 14, Para. 5 and 6, which shall enter into force on 1 January 2019.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. - SG 97/12, IN FORCE FROM 01.01.2018)

§ 52. The Act shall enter into force on 1 January 2018, with the exception of § 8 and 9, which shall enter into force on 1 December 2017, and § 41 concerning item 17, letter "a", which shall enter into force 20 May 2019.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACT ON LIMITATION OF THE ADMINISTRATIVE REGULATION AND THE ADMINISTRATIVE CONTROL OVER THE

BUSINESS ACTIVITY

(PROM. - SG 103/17, IN FORCE FROM 01.01.2018)

§ 68. The Act shall enter into force on 01 January 2018.

Transitional and concluding provisions
TO THE MARKETS IN FINANCIAL INSTRUMENTS ACT

(PROM. - 15 OF 2018, IN FORCE FROM 16.02.2018)

§ 42. This Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of:

1. Article 222, Para. 1-3, which shall enter into force on 3 September 2019;

2. paragraph 13, item 12, letter a, which shall enter into force on 1 January 2018;

3. paragraph 13, item 12, letter b, which shall enter into force on 21 November 2017;

4. paragraph 17, item 37 concerning Art. 264a and item 39 regarding Art. 273b, which shall enter into force on 1 January 2020.

Concluding provisions
TO THE ACT ON ENTERPRISES OF THE SOCIAL AND SOLIDARITY ECONOMY

(PROM. - SG 91/18, IN FORCE FROM 03.05.2019)

§ 8. The Act shall enter into force six months after its promulgation in the State Gazette, with the exception of § 7, which shall enter into force on the day of its promulgation.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. - SG 98/18, IN FORCE FROM 01.01.2019)

§ 28. Unrecognized interest expense after 1 January 2014 under **Art. 43**, subject to deduction and not deducted until 31 December 2018, shall be deducted under the procedure of **Art. 43, Para. 2**, when **Art. 43a** is not applied, and by the order of **Art. 43, Para. 3** in the cases where **Art. 43a** applies for the respective year.

§ 29. **Art. 82** shall not apply to changes in accounting policies resulting from the application of International Financial Reporting Standard 16 "Leases". Taxable income and expenses arising from the change in accounting policy as a result of the initial application of International Financial Reporting Standard 16 "Leases" shall not be recognized for tax purposes.

§ 30. Where the deadlines for declaring and filing tax under the provisions of Chapter Twenty-First, repealed and amended by this act, expire after 31 December 2018, the provisions of this Act shall apply.

§ 31. The provisions of this Act shall apply when the date of deletion / termination of the taxable person in the cases under § 15, item 2 regarding **Art. 201, Para. 7**, § 16 concerning **Art. 202, Para. 6**, § 18 concerning **Art. 217** and § 19 concerning **Art. 218a** is before January 1, 2019, but the deadlines for declaring and paying the tax under this act expire after 31 December 2018.

. . . . . .

§ 70. This Act shall enter into force on 1 January 2019, except for:

1. paragraph 43, item 2 - regarding Art. 4, item 65, item 4, letter "a", item 5, letter “b”, sub-letter

“bb”, item 9, item 15, letter “b”, item 31 and item 34; § 64, which shall enter into force on the day of the promulgation of the Act in the State Gazette;

2. paragraph 63, which shall enter into force on 18 November 2018;

3. paragraph 41, item 1, § 43, item 36, § 50, items 1 - 3, item 4, letter “a”, items 5-10, § 52, item 3, § 53, items 1 and 3, and § 65-69, which shall enter into force on 7 January 2019;

4. paragraph 43, item 11 - regarding Art. 47, Para. 4, item 1 and Para. 5, which shall enter into force on 28 January 2019;

5. paragraph 52, items 1, 2, 4 and 5, and § 53, item 2, which shall enter into force on 20 May 2019;

6. paragraph 43, item 22, § 57, item 9, item 11, letter “c”, item 31, items 32 and 37, which shall enter into force on 1 July 2019;

7. paragraph 50, item 4, letters “c” and “d”, which shall enter into force on 1 October 2019;

8. paragraph 39, point 3, letter "b" - concerning Art. 14, Para. 2, which shall enter into force on 1 January 2020;

9. paragraph 43, item 11 - concerning Art. 47, Para. 4, item 2, which shall enter into force on 28 July 2020.

Transitional and concluding provisions
THE ACT ON THE BUDGET OF THE NATIONAL HEALTH INSURANCE FUND FOR 2019

(PROM. - SG 102/18, IN FORCE FROM 01.01.2019)

§ 43. The Act shall enter into force on 1 January 2019, with the exception of:

1. paragraph 29, item 13, letter "b", items 14 and 15, § 30 and § 42 item 2, which shall enter into force on the day of promulgation of the Act in the State Gazette;

2. paragraph 28, items 6 - 12 and items 14 - 19, § 35, item 3 with the exception of Art. 7a, para. 4 and Art. 7c, para. 4, item 5 and 6, item 8 - 22 and items 36 - 40, § 41, items 2 - 8, item 9, letters "a" and "c" and item 10 which shall enter into force on 1 April 2019;

3. paragraph 29, item 5, letter "a" on the words "through the budget of the Ministry of Health for the payment of medical devices, aids, devices and facilities for people with disabilities", item 9, letter "a" on the words "as well as medical devices, aids, devices and facilities for people with disabilities", item 9, letter "d" on the words "aids, devices and facilities for people with disabilities" and on the words "as well as with the persons carrying out activities related to delivery and repair of medical devices, aids, devices and facilities for people with disabilities, registered as traders and entered in the register of persons, performing activities related to delivery and repair of medical devices, aids, devices and facilities for people with disabilities", and item 9, letter "e" regarding para. 15, item 3 and para. 16 on the words "as well as persons carrying out activities related to delivery and repair of medical devices, aids, devices and facilities for people with disabilities, registered as traders and entered in the register of persons, performing activities related to delivery and repair of medical devices, aids, devices and facilities for people with disabilities - for the payment of medical devices, aids, devices and facilities for people with disabilities", item 25, letter "a" - para. 1, item 13 on the words "aids, devices and facilities for people with disabilities" and item 25 concerning para. 4 on the words "persons carrying out activities related to delivery and repair of medical devices, aids, devices and facilities for people with disabilities, registered as traders and entered in the register of persons, performing activities related to delivery and repair of medical devices" and "and aids, devices and facilities for people with disabilities", § 36 and § 37 concerning Art. 14, para. 8, item 2, letter "b", which shall enter into force from 1 January 2020.

Transitional and concluding provisions
TO THE ACT OF THE STATE BUDGET ON THE REPUBLIC OF BULGARIA FOR 2019

(PROM. - SG 103/18, IN FORCE FROM 20.05.2019)

§ 21. The Act shall enter into force on 1 January 2019, with the exception of § 9, items 1, § 16 and 17, which shall enter into force on the date of the promulgation of the Act in the State Gazette and § 18, shall enter into force on 20 May 2019.

Transitional and concluding provisions
TO THE PERSONS WITH DISABILITIES ACT

(PROM. – SG 105/18, IN FORCE FROM 01.01.2019)

§ 28. The act shall enter into force on 1 January 2019, with the exception of:

1. Art. 73, Para. 3 and § 16 and 18, which shall enter into force on 1 January 2020;

2. Paragraph 7, Para. 6, which shall enter into force on the day of the promulgation of the act in the State Gazette;

3. Paragraphs 12 and 13, which shall enter into force on 1 January 2021.

Transitional and concluding provisions
TO THE SOCIAL SERVICES ACT

(PROM. - SG 24/19, IN FORCE FROM 01.07.2020, AMEND. ON ENTRY INTO FORCE - SG 101/19, AMEND. - SG 110/20, IN FORCE FROM 30.06.2021, AMEND. - SG 8/22, IN FORCE FROM 01.01.2022)

§ 45. (amend. - SG 101/19) This Act shall enter into force on July 1st, 2020, with the exception of:

1. (amend. - SG 110/20, in force from 31.12.2020, amend. - SG 8/22, in force from 01.01.2022) paragraph 6, item 5, letter "a", § 7, item 2, letters "a" and "b", item 3, item 6, letter "a", items 9 and 10; § 18, item 2 in the section on "medical-social care homes for children under the Medical Establishments Act" and § 20, item 2 in the section concerning the deletion of the words "and the homes for medical and social care for children", and item 5, letter "c", which shall enter into force on December 1st, 2022;

2. paragraph 3, item 4, letter "f", "g" and "h" and § 28, item 1, letter "a", items 2 and 5, which shall enter into force on January 1st, 2019.

3. Art. 22, Para. 4, Art. 40, Art. 109, Para. 1, Art. 124, Art. 161, Para. 2, § 3, item 6, § 30, 36, 37 and 43, which shall enter into force on the day of the promulgation of this Act in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE TAX-INSURANCE PROCEDURE CODE

(PROM. - SG 64/19, IN FORCE FROM 13.08.2019)

§ 24. The Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of § 2, § 15, § 16, item 1 and § 18, which shall enter into force on January 1, 2020.

Transitional and concluding provisions
TO THE ACT, AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PUBL. – SG, 96/19, IN FORCE FROM 01.01.2020, AMEND. - SG 18/19, IN FORCE FROM 28.02.2020)

§ 22. (1) Where the accounting expenses for the construction, improvement or repair of elements of technical infrastructure, which by an Act are public state or public municipal property, are wholly or partially treated for tax purposes as expenses, unrelated to the activity or unrecognized donation costs, with the amount of the unrecognized portion of these expenditures, a separate tax amortizable asset may be brought for the purposes of this Act, provided that the following conditions are met simultaneously:

1. costs are accrued / reported between January 1, 2015 and December 31, 2019, and

2. (amend. - SG 18/19, in force from 28.02.2020) the construction, improvement or repair of the elements of the technical infrastructure are related to the activity of the taxable person, including where they are accessible for use by other entities.

(2) The tax depreciable asset under Para. 1 shall be recorded in the tax depreciation plan as of January 1, 2020.

(3) For the purposes of Art. 55, this tax depreciable asset shall be classified in category I and Art. 69a, Para. 3 - 5 shall apply respectively.

.....

§ 45. The Act shall enter into force on January 1, 2020, with the exception of § 30, item 28, letters "a", "b", "c" and "d", item 35, letter "a", sub-letter "dd" and the letter "ee" regarding item 96 of the Additional Provisions of the Value Added Tax Act, which shall enter into force three days after the promulgation of the Act in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE TAX-INSURANCE PROCEDURE CODE

(PROM. - SG 102/19, IN FORCE FROM 01.01.2020)

§ 14. The provision of Art. 47d, para. 3, Item 1 of the Corporate Income Tax Act applies to tax losses that have occurred after December 31, 2018.

.....

§ 16. The Act shall enter into force on January 1, 2020, with the exception of § 1 and § 3, 4, 5, 6, 7 and 8, which shall enter into force on July 1, 2020.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE INDEPENDENT FINANCIAL AUDIT ACT

(PROM. - SG 18/19, IN FORCE FROM 28.02.2020)

§ 66. The Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of:

1. § 57, item 2 and § 60, which shall enter into force on 1 January 2020;

2. § 57, item 1, which shall enter into force on 1 January 2021.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACT ON THE COMMERCIAL REGISTER AND THE NON-PROFIT LEGAL ENTITIES REGISTER

(PROM. – SG 38/20, IN FORCE FROM 01.01.2022)

§ 11. The Act shall enter into force on January 1, 2022, with the exception of § 5 and 10, which shall enter into force on the day of its promulgation in the State Gazette.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. - SG 104/20, IN FORCE FROM 01.01.2021, SUPPL. - SG 14/21, IN FORCE FROM 01.01.2021)

§ 73. The tax relief under Art. 184 of the Corporate Income Tax Act, representing a minimum aid under Art. 188 of the Corporate Income Taxation Act, can be used until December 31, 2023, including for

the corporate tax for 2023.

§ 74. The tax relief under Art. 184 of the Corporate Income Taxation Act, representing state aid for regional development under Art. 189 of the Corporate Income Taxation Act can be used until December 31, 2021, including the corporate tax for 2021, after a decision of the European Commission to extend the validity of Scheme SA.39869 (2014 / N) - Bulgaria Corporate tax exemption scheme according to Art. 184 of the Corporate Income Taxation Act. Assignment from advance contributions of corporate tax is not allowed until the date of the decision of the European Commission, provided that it is after 31 December 2020.

§ 74a. (New - SG 14/21, in force from 01.01.2021) The tax relief under Art. 189b of the Corporate Income Taxation Act, which is state aid for farmers, can be used until December 31, 2022, including for the corporate tax for 2022.

§ 75. (1) The assigned tax for 2019 and 2020 in connection with Art. 189b, para. 2, item 1 of the Corporate Income Taxation Act shall be invested in new buildings and new agricultural machinery, necessary for carrying out the specified in Art. 189b, para. 1 of the Corporate Income Taxation Act activity, by the end of the second year following the year for which the assignment is used.

(2) Para. 1 shall apply after receipt of a receipt with the identification number of the aid from the European Commission for changing the terms of the scheme - Aid for investments in agricultural holdings through the assignment of corporate income tax.

§ 76. Paragraph 72, items 8, 9, 14 - 16, 18 - 21 regarding Art. 92, para. 2, Art. 93, Art. 217, para. 2, Art. 218a, para. 3, Art. 219, para. 5, Art. 252, para. 1, art. 253, Art. 259, para. 2, Art. 260 of the Corporate Income Taxation Act also applies to the annual tax return, the annual activity report and the payment of the respective taxes for 2020.

§ 77. (1) Until December 31, 2025, disposal of financial instruments for the purposes of Art. 44 and 196 of the Corporate Income Taxation Act are also the transactions with shares of collective investment schemes and of national investment funds, shares, rights and government securities, performed on a growth market within the meaning of Art. 122, para. 1 of the Markets in Financial Instruments Act. Rights for the purposes of sentence one are the securities giving the right to subscribe for a certain number of shares in connection with a decision to increase the capital.

(2) Until December 31, 2025 with withholding tax under Art. 195, para. 6 of the Corporate Income Taxation Act are not taxed:

1. interest income on bonds or other debt securities issued by a local legal entity, the state and municipalities and admitted to trading on a growth market within the meaning of Art. 122, para. 1 of the Markets in Financial Instruments Act in the country or in a member state of the European Union, or in another state - party to the Agreement on the European Economic Area;

2. interest income on a loan granted by a foreign person - issuer of bonds or other debt securities when bonds or other debt securities are admitted to trading on a growth market within the meaning of Art. 122, para. 1 of the Markets in Financial Instruments Act in the country or in a member state of the European Union, or in another state - party to the Agreement on the European Economic Area and meet the conditions of Art. 195, para. 6, item 2, letters "a" and "b" of the Corporate Income Taxation Act.

§ 78. Paragraph 72, item 1 in connection with Art. 55, para. 7 of the Corporate Income Taxation Act is also applied in determining the tax financial result for 2020.

§ 78a. (New - SG 14/21, in force from 01.01.2021) Newly established corporate taxpayers in 2020 do not make advance payments for corporate tax under the Corporate Income Tax Act in 2021 with the exception of the newly established ones as a result of a transformation under the **Commerce Act**, which make quarterly advance payments for corporate tax in 2021.

.....

§ 94. The Act shall enter into force on January 1, 2021, with the exception of:

1. paragraph 17, § 31, § 59 - 61 and § 68, 69, § 71, item 11, § 88, 89, 91 and 92, which shall enter into force within three days from the promulgation of the law in the State Gazette ;

2. paragraph 39 regarding art. 154, para. 2, § 41 regarding art. 156, para. 2, § 43 regarding art. 157a, para. 4 and § 63, which shall enter into force on 1 April 2021;

3. paragraphs 1 - 9, § 11 - 13, § 15, 16, § 18 - 30, § 32, § 33 - 58, § 62, item 1, letters "a", "e", "e" and items 2, § 64 - 66 and § 67, para. 1, 2, 3, 12, 13 and 14, which shall enter into force on 1 July 2021;

4. paragraph 71, item 4, which shall enter into force on 1 January 2022.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE VALUE ADDED TAX ACT

(PROM. - SG 107/20, IN FORCE FROM 01.01.2021)

§ 7. (In force from 18.12.2020) For the period from October 1, 2020 to December 31, 2020, including Art. 245, para. 4 of the Corporate Income Taxation Act shall not apply in case of suspension of the activity in implementation of an administrative act issued under the procedure of Chapter Two, Section V of the Health Act. In these cases the tax under Art. 245, para. 1, items 1 - 3 of the Corporate Income Taxation Act is due in proportion to the days of the quarter during which the activity has not been suspended.

……

§ 12. The Act shall enter into force on January 1, 2021, except for:

1. paragraph 7, which shall enter into force on the day of the promulgation of the Act in the State Gazette;

2. paragraph 8, which shall enter into force on 10 December 2020.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CODE OF CIVIL PROCEDURE

(PROM. - SG 110/20, IN FORCE FROM 30.06.2021)

§ 28. The Act shall enter into force on June 30, 2021, except for:

1. paragraphs 9 and 25, which shall enter into force on 30 June 2022;

2. paragraphs 26 and 27, which shall enter into force on 31 December 2020.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE ACT ON THE MEASURES AND ACTIONS DURING THE STATE OF EMERGENCY DECLARED WITH THE DECISION OF THE NATIONAL ASSEMBLY OF MARCH 13th, 2020, AND ON OVERCOMING THE CONSEQUENCES

(PROM. - SG 14/21, IN FORCE FROM 01.01.2021)

§ 16. The Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of:

1. paragraphs 4 and 7, which shall enter into force on 1 January 2021;

2. paragraph 5, which shall enter into force on 11 December 2020;

3. paragraph 15, item 1 regarding art. 22 of the Local Taxes and Fees Act, which enters into force on April 20, 2019.

Transitional and concluding provisions
TO THE ACT ON SPECIAL INVESTMENT COMPANIES AND SECURITIZATION COMPANIES

(PROM. - SG 21/21)

§ 15. Everywhere in the Corporate Income Taxation Act the words "the Special Investment

Companies Act" shall be replaced by "the Special Investment Companies and Securitization Companies Act".

Transitional and concluding provisions
TO THE ACT ON APPLICATION OF PROVISIONS OF THE STATE BUDGET ACT OF THE REPUBLIC OF BULGARIA FOR 2021, THE ACT ON THE BUDGET OF THE STATE SOCIAL INSURANCE FOR 2021 AND THE ACT ON THE BUDGET OF THE NATIONAL HEALTH INSURANCE FUND FOR 2021

(PROM. - SG 8/22, IN FORCE FROM 01.01.2022)

§ 14. This Act shall enter into force on January 1st, 2022.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE CORPORATE INCOME TAXATION ACT

(PROM. - SG 14/22, IN FORCE FROM 01.01.2022)

§ 7. The Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of § 1 and 4, which shall enter into force on January 1, 2022.

Transitional and concluding provisions
TO THE ACT AMENDING CORPORATE INCOME TAXATION ACT

(PROM. - SG 17/22, IN FORCE FROM 01.01.2022)

§ 2. In 2022 the food vouchers under Art. 209, para. 1 may be provided to each employee in the following month of 2022, and shall not be subject to tax on expenses, when the total amount of the provided food vouchers during the respective month is up to the legally established non-taxable amount for each of the months to which the provided vouchers relate, for each employee.

. . . . . .

§ 9. The Act shall enter into force on 1 January 2022, with the exception of § 3, items 1, 2, 5 - 11 and § 5, 6 and 7, which shall enter into force on 1 April 2022.

Transitional and concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE MARKETS IN FINANCIAL INSTRUMENTS ACT

(PROM. - SG 25/22, IN FORCE FROM 29.03.2022)

§ 94. The Act shall enter into force on the day of its promulgation in the State Gazette, with the exception of § 79, items 1, 4 and item 9, letter "a", which shall enter into force on October 19, 2022.

Concluding provisions
TO THE ACT AMENDING AND SUPPLEMENTING THE PUBLIC OFFERING OF SECURITIES ACT

(PROM. - SG 51/22)

§ 27. In the Corporate Income Taxation Act (promulgated, SG 105 of 2006; amend. and suppl. SG 52, 108 and 110 of 2007, SG 69 and 106 of 2008, SG 32, 35 and 95 of 2009, SG 94 of 2010, SG 19, 31, 35, 51, 77 and 99 of 2011, SG 40 and 94 of 2012, SG 15, 16, 23, 68, 91, 100 and 109 of 2013, SG 1, 105 and 107 of 2014, SG 12, 22, 35, 79 and 95 of 2015, SG 32, 74, 75 and 97 of 2016, SG 58, 85, 92, 97 and 103 of 2017, SG 15, 91, 98, 102, 103 and 105 of 2018, SG 24, 64, 96, 101 and 102 of 2019, SG 18, 28, 38, 69, 104,

107 and 110 of 2020, SG 14 and 21 of 2021 and SG 8, 14, 17 and 25 of 2022), everywhere before the words "and securitization companies" is added "for".*

Editor`s note

* Editor`s note: The amendment to this issue (12/2015) of the State Gazette refers to replacing a word with its synonym, which is practically untranslatable in English.

Editor's note

* Editor's note: The supplement to this issue of the State Gazette (SG 51/2022) refers to adding a preposition in an act's title, which is already reflected in the existing translation of the act's title.

Appendix No. 1 to Art. 100, item 1

(suppl. - SG 108/07, in force from 01.01.2007; revoked– SG 69/08, in force from 01.01.2009)

Appendix No. 2 to Art. 100, item 3 and Art. 108, para. 2, item 1

(suppl. - SG 108/07, in force from 01.01.2007; revoked– SG 69/08, in force from 01.01.2009)

Appendix No. 3 to Art. 137, item 1

(suppl. - SG 108/07, in force from 01.01.2007; suppl. – SG 91/13, in force from 01.07.2013)

List of companies in the Member States of the European Union under Art. 137, item 1

(a) companies included in the Regulation (EC) No. 2157/2001 of the Council on the Statute for a European company (SE) and Directive 2001/86/EC of the Council supplementing the Statute for a European company with regard to the involvement of employees, included in the Regulation (EC) No. 1435/2003 of the Council on the Statute for a European cooperative society (SCE) and Directive 2003/72/EC of the Council supplementing the Statute for a European cooperative society with regard to the involvement of workers and employees;

(b) companies under Belgian legislation, known as "societe anonyme"/"naamloze vennootschap", "societe en commandite par actions"/ "commanditaire vennootschap op aandelen", "societe privee a responsabilite limitee"/ "besloten vennootschap met beperkte aansprakelijkheid", "societe cooperative a responsabilite limitee"/ "cooperatieve vennootschap met beperkte aansprakelijkheid", "societe cooperative a responsabilite ilimitee"/ "cooperatieve vennootschap met onbeperkte aansprakelijkheid", "societe en nom collectif"/ "vennootschap onder firma", "societe en commandite simple"/ "gewone commanditaire vennootschap", public establishments which have adopted one of the aforesaid legal forms, as well as other companies set up under Belgian legislation, which are taxable with Belgian corporate tax;

(c) companies under Czech legislation, known as: "akciova spolecnost", "spolecnost s rucenim omezenym";

(d) companies under Danish legislation, known as: "aktieselskab" and "anpartsselskab"; other companies which are taxed under the Corporate Tax Act, inasmuch as the taxable income thereof is calculated and taxed under the general rules of tax legislation relating to "aktieselskaber";

(e) companies under German legislation, known as "Aktiengesellschaft", "Kommanditgesellschaft auf Aktien", "Gesellschaft mit beschrankter Haftung", "Versicherungsverein auf Gegenseitigkeit", "Erwerbs-und Wirtschaftsgenossenschaft", "Betriebe gewerblicher Art von juristischen Personen des offentlichen Rechts", as well as other companies set up under German legislation and taxable with German corporate tax;

(f) companies under Estonian legislation, known as: "taisuhing", "usaldusuhing", osauhing", "aktsiaselts", "tulundusuhistu";

(g) companies under Greek legislation, known as: "anwnumh etaireia", "etaireia periwrismenhx euqunhz" (E.P.E);

(h) companies under Spanish legislation, known as: "sociedad anonima", "sociedad comanditaria por acciones", "sociedad de responsabilidad limitada", as well as public establishments which are subjects of private law;

(i) companies under French legislation, known as "societe anonyme", "societe en commandite par actions", "societe a responsabilite limitee", "societes par actions simplifiees", "societes d'assurances mutuelles", "caisses d'epargne et de prevoyance", "societes civiles", which are normally taxed with corporate tax, "cooperatives", "unions de cooperatives", industrial and commercial public organizations and enterprises, as well as other companies set up under French legislation, which are taxable with French corporate tax;

(j) companies set up or existing under Irish legislation, enterprises established under the Law on Industrial and Mutual Insurance Funds, construction unions under the Laws on construction unions and trustee savings banks within the meaning of the Law on Trustee Savings Banks, 1989;

(k) companies under Italian legislation, known as: "societa per azioni", "societa in accomandita per azioni", "societa a responsabilita limitata", "societa cooperative", "societa di mutua assicurazione", as well as private or public persons the activity of which is totally or predominantly commercial;

(l) under Cyprian legislation: "etaireiex", determined under the laws on taxation of incomes;

(m) companies under Latvian legislation, known as: "akciju sabiedriba", "sabiedriba ar ierobezotu atbildibu";

(n) companies set up under the legislation of Lithuania;

(o) companies under the legislation of Luxembourg, known as: "societe anonyme", "societe en commandite par actions", "societe a responsabilite limitee", "societe cooperative", "societe cooperative organisee comme une societe anonyme", "association d'assurances mutuelles", "association d'epargne-pension", "entreprise de nature commerciale, industrielle ou miniere de l'Etat, des communes, des syndicats de communes, des etablissements publics et des autres personnes morales de droit public", as well as other companies set up under the legislation of Luxembourg which are taxable with corporate tax in Luxembourg;

(p) companies under Hungarian legislation, known as: "kozkereseti tarsasag", "beteti tarsasag", "kozos vallalat", "korlatolt felelossegu tarsasag", "reszvenytarsasag", "egyesules", "k0zhasznu tarsasag", "szovetkezet";

(q) companies under Maltese legislation, known as: "Kumpaniji ta' Responsabilita' Limitata", "Socjetajiet en commandite li l-kapital taghom maqsum 'f'azzjonijiet";

(r) companies under Dutch legislation, known as: "naamloze vennootschap", "besloten vennootschap met beperkte aansprakelijkheid", "Open commanditaire vennootschap", "Cooperatie", "onderlinge waarborgmaatschappij", "Fonds voor gemene rekening", "vereniging op Cooperatieve grondslag" and "vereniging welke op onderlinge grondslag als verzekeraar of kredietinstelling optreedt", as well as other companies set up under Dutch legislation, which are taxable with Dutch corporate tax;

(s) companies under Austrian legislation, known as: "Aktiengesellschaft", "Gesellschaft mit beschrankter Haftung", "Erwerbs- and Wirtschaftsgenossenschaften";

(t) companies under Polish legislation, known as: "spolka akcyjna", "spolka z ograniczona odpowiedzialnoscia";

(u) commercial companies or civil law companies which have a commercial form, as well as other legal entities carrying out commercial or industrial activity which are set up under Portuguese legislation;

(v) companies under Slovenian legislation, known as: "delniska druzba", "komanditna druzba", "druzba z omejeno odgovornostjo";

(w) companies under the legislation of Slovakia, known as: "akciova spolocnost ", "spolocnost s rucenim obmedzenum", "komanditna spolocnost";

(x) companies under Finnish legislation, known as: "osakeyhtio"/"aktiebolag", "osuuskunta"/"andelslag", "saastopankki"/"sparbank" and "vakuutusyhtio"/"forsakringsbolag";

(y) companies under Swedish legislation, known as: "aktiebolag", "forsakringsaktiebolag", "ekonomiska foreningar", "sparbanker", "omsesidiga forsakringsbolag";

(z) companies set up under the legislation of the United Kingdom of Great Britain and North Ireland;

(aa) (new – SG 108/07, in force from 01.01.2007) companies under the Romanian legislation, known as "sosietati pe actiuni", "sosietati in comandita pe actiuni", "sosietati cu raspundere limitata".

(zz) (new – SG 91/13, in force from 01.07.2013) companies under the Croatian legislation, named "dionicko drustvo", "drustvo s ogranicenom odgovornoscu" and other companies, incorporated under the Croatian law and subject to taxation with a profit tax in the Republic of Croatia.

Appendix No. 4 to Art. 137, item 3

(suppl. - SG 108/07, in force from 01.01.2007; suppl. – SG 91/13, in force from 01.07.2013)

List of taxes in the Member States of the European Union

- impot des societes/vennootschapsbelasting in Belgium,
- selskabsskat in Denmark,
- Korperschaftsteuer in the Federal Republic of Germany,
- joroz eisodhmatoz nomikwn proswpwn kerdoskopikou carakthra in Greece,
- impuesto sobre sociedades in Spain,
- impot sur les societes in France,
- (new – SG 91/13, in force from 01.07.2013) porez na dobit in Croatia;
- corporation tax in Ireland,
- imposta sul reddito delle societa in Italy,
- impot sur le revenu des collectivites in Luxembourg,
- vennootschapsbelasting in Holland,
- imposto sobre o rendimento das pessoas colectivas in Portugal,
- corporation tax in the United Kingdom of Great Britain and North Ireland,
- Korperschaftsteuer in Austria,
- yhteisojen tulovero/inkomstskatten for samfund in Finland,
- statlig inkomstskatt in Sweden,
- Dan z prijmu pravnickych osob in the Czech Republic,
- Tulumaks in Estonia,
- joroz eisodhmatox in Cyprus,
- uznemumu ienakuma nodoklis in Latvia,
- Pelno mokestis in Lithuania,
- Tarsasagi ado in Hungary,
- Taxxa fuq l-income in Malta,
- Podatek dochodowy od osob prawnych in Poland,

- Davek od dobicka pravnih oseb in Slovenia,
- Dan z prijmov pravnickych osob in Slovakia.
- impozit pe profit in Romania.

Appendix No 5 to Art. 195, Para 12, Item 1, Letter "a"

(new – SG 94/10, in force from 01.01.2011; suppl. – SG 91/13, in force from 01.07.2013; previous Appendix No. 5 to Art. 200a, Para 4, Item 1, Letter "a", amend. – SG, 100/2013, in force from 1. 1. 2014, previous Appendix N 5 to Art. 200a, Para. 6, p. 1, letter “a”, amend. – SG, 105/14, in force from 1. 1. 2015)

List of the foreign legal persons in the Member States of the European Union referred to in **Art. 195, Para 12, Item 1, Letter "a"**

a) Companies under Belgian law known as: "naamloze vennootschap/soci?t? anonyme, commanditaire vennootschap op aandelen/soci?t? en commandite par actions, besloten vennootschap met beperkte aansprakelijkheid/soci?t? priv?e ? responsabilit? limit?e" and those public law bodies that operate under private law;

b) companies under Danish law known as: "aktieselskab" and "anpartsselskab";

c) companies under German law known as: "Aktiengesellschaft, Kommanditgesellschaft auf Aktien, Gesellschaft mit beschr?nkter Haftung" and "bergrechtliche Gewerkschaft";

d) companies under Greek law known as: "??????? ???????";

e) companies under Spanish law known as: "sociedad an?nima, sociedad comanditaria por acciones, sociedad de responsabilidad limitada" and those public law bodies which operate under private law;

f) companies under French law known as: "soci?t? anonyme, soci?t? en commandite par actions, soci?t? ? responsabilit? limit?e" and industrial and commercial public establishments and undertakings;

g) companies in Irish law known as public companies limited by shares or by guarantee, private companies limited by shares or by guarantee, bodies registered under the Industrial and Provident Societies Acts or building societies registered under the Building Societies Acts;

h) companies under Italian law known as: "societ? per azioni, societ? in accomandita per azioni, societ? a responsabilit? limitata" and public and private entities carrying on industrial and commercial activities;

i) companies under Luxembourg law known as: "soci?t? anonyme, soci?t? en commandite par actions and soci?t? ? responsabilit? limit?e";

j) companies under Dutch law known as: "naamloze vennootschap" and "besloten vennootschap met beperkte aansprakelijkheid";

k) companies under Austrian law known as: "Aktiengesellschaft" and "Gesellschaft mit beschr?nkter Haftung";

l) commercial companies or civil law companies having a commercial form, cooperatives and public undertakings incorporated in accordance with Portuguese law;

m) companies under Finnish law known as: "osakeyhti?/aktiebolag, osuuskunta/andelslag, s??st?pankki/sparbank" and "vakuutusyhti?/f?rs?kringsbolag";

n) companies under Swedish law known as: "aktiebolag" and "f?rs?kringsaktiebolag";

o) companies incorporated under the law of the United Kingdom;

p) companies under Czech law known as: ‘akciov? spole?nost’, ‘spole?nost s ru?en?m omezen?m’, ‘ve?ejn? obchodn? spole?nost’, ‘komanditn? spole?nost’, ‘dru?stvo’;

q) companies under Estonian law known as: ‘t?is?hing’, ‘usaldus?hing’, ‘osa?hing’, ‘aktsiaselts’, ‘tulundus?histu’;

r) companies under Cypriot law known as: companies in accordance with the Company’s Law,

Public Corporate Bodies as well as any other Body which is considered as a company in accordance with the Income tax Laws;

s) companies under Latvian law known as: ‘akciju sabiedr?ba’, ‘sabiedr?ba ar ierobe?otu atbild?bu’;

t) companies incorporated under the law of Lithuania;

u) companies under Hungarian law known as: ‘k?zkereseti t?rsas?g’, ‘bet?ti t?rsas?g’, ‘k?z?s v?llalat’, ‘korl?tolt felel?ss?g? t?rsas?g", ‘r?szv?nyt?rsas?g’, ‘egyes?l?s’, ‘k?zhaszn? t?rsas?g’, ‘sz?vetkezet’;

v) companies under Maltese law known as: ‘Kumpaniji ta’ Responsabilita’ Limitata’, ‘So?jetajiet in akkomandita li l-kapital tag?hom maqsum f’azzjonijiet’;

w) companies under Polish law known as: ‘sp??ka akcyjna’, ‘sp??ka z ograniczon? odpowiedzialno?ci?’;

x) companies under Slovenian law known as: ‘delni?ka dru?ba’, ‘komanditna delni?ka dru?ba’, ‘komanditna dru?ba’, ‘dru?ba z omejeno odgovornostjo’, ‘dru?ba z neomejeno odgovornostjo’;

y) companies under Slovak law known as: ‘akciov? spolo?nos’, ‘spolo?nos? s ru?en?m obmedzen?m’, ‘komanditn? spolo?nos’, ‘verejn? obchodn? spolo?nos’, ‘dru?stvo’.

z) companies under Romanian law known as: ‘societ??i pe ac?iuni’, ‘societ??i ?n comandit? pe ac?iuni’, ‘societ??i cu r?spundere limitat?’.

zz) (new – SG 91/13, in force from 01.07.2013) companies under the Croatian legislation, known as "dionicko drustvo", "drustvo s ogranicenom odgovornoscu" and other companies, incorporated under the Croatian law and subject to taxation with a profit tax in the Republic of Croatia.

Appendix No 6 to Art. 195, Para 12, Item 1, Letter "c" and Item 4, Letter "b"

(new – SG 94/10, in force from 01.01.2011; suppl. – SG 91/13, in force from 01.07.2013; previous Appendix No. 6 to Art. 200a, Para 4, Item 1, Letter ‘c’ and Item 4, Letter ‘b’ – amend. – SG 100/13, in force from 100/13, in force from 01.01.2014, previous Appendix N 6 to Art. 200a, Para. 6, p. 1, letter “c’ and p. 4, letter “b”, amend. – SG, 105/14, in force from 1 .1. 2015)

List of the taxes in the Member States of the European Union referred to in **Art.195, Para 12, Item 1, Letter "c" and Item 4, Letter "b"**

— imp?t des soci?t?s/vennootschapsbelasting in Belgium,
— selskabsskat in Denmark,
— K?rperschaftsteuer in Germany,
— ????? ??????????? ??????? ???????? in Greece,
— impuesto sobre sociedades in Spain,
— imp?t sur les soci?t?s in France,
- (new – SG 91/13, in force from 01.07.2013) porez na dobit in the Republic of Croatia;
— corporation tax in Ireland,
— imposta sul reddito delle persone giuridiche in Italy,
— imp?t sur le revenu des collectivit?s in Luxembourg,
— vennootschapsbelasting in the Netherlands,
— K?rperschaftsteuer in Austria,
— imposto sobre o rendimento da pessoas colectivas in Portugal,
— yhteis?jen tulovero/inkomstskatten f?r samfund in Finland,
— statlig inkomstskatt in Sweden,
— corporation tax in the United Kingdom,
— Da? z p??jm? pr?vnick?ch osob in the Czech Republic,
— Tulumaks in Estonia,

— ????? ??????????? in Cyprus,
— Uz??mumu ien?kuma nodoklis in Latvia,
— Pelno mokestis in Lithuania,
— T?rsas?gi ad? in Hungary,
— Taxxa fuq l-income in Malta,
— Podatek dochodowy od os?b prawnych in Poland,
— Davek od dobi?ka pravnih oseb in Slovenia,
— Da? z pr?jmov pr?vnick?ch os?b in Slovakia,
— impozit pe profit, impozitul pe veniturile ob?inute din Rom?nia de nereziden?i in Romania.