


Tax & Legal Alert

Ernst & Young Bulgaria



In this edition of the Tax & Legal Alert, we report on the 2012 changes to Bulgarian taxes, as well as other legislative amendments

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Tax changes

The following significant amendments to Bulgarian taxes will take effect from 1 January 2012, unless otherwise indicated:

VAT

- ▶ Electronic submission of monthly VAT returns is now required in all cases where entries in either the Purchases or the Sales Ledger are more than five.
- ▶ The taxable base of regulated land plots and new buildings will be their sales price, even if it is lower than the acquisition or the cost price.
- ▶ Restrictions on the taxable base are limited to certain transactions between related parties only when either the supplier or the recipient are not entitled to full input VAT deduction.
- ▶ The exemption on transfers of construction rights, which so far applies until construction is completed, is now restricted until a building permit is issued.
- ▶ The tour operators' margin scheme will not apply for supplies between tour operators.
- ▶ Deduction of input VAT paid at importation of second-hand goods may be exercised immediately.
- ▶ Individuals may keep their VAT registration after terminating their commercial registration.
- ▶ Penalties in the range of BGN 3,000 - 10,000 and closing of commercial sites may be imposed on legal entities if they do not keep copies of documents issued by cash registers.

Excise duties and product fees

- ▶ Higher excise duties will apply to diesel and kerosene.
- ▶ Excise duties will be increased on 1 June 2012 for natural gas used as motor fuel, as well as for industrial purposes heating.
- ▶ The European Commission has approved the application of a reduced excise duty rate for fuel used for agricultural purposes.
- ▶ Product fees for plastic bags will rise.

Personal income tax

- ▶ Tax return filing requirements will not apply for individuals who receive only employment income during the year, provided that they have no outstanding tax liabilities and do not use tax relief, even if they have no employer on 31 December 2011 or their employer did not perform annual reconciliation.
- ▶ Mandatory reporting of income from disposal of financial instruments exceeding BGN 5,000 per year has been introduced.
- ▶ Entitlement to a 5 % discount on the tax due is possible only in case of timely advance tax payments.

Withholding tax reporting requirements

Payers of Bulgarian source income are obliged to report to the National Revenue Agency income below BGN 500,000 paid to each foreign tax resident in 2011. An annual return is now introduced for the total Bulgarian source income to which a simplified Double Taxation Treaty relief procedure was applied. It should be submitted by 31 March 2012.

Social security amendments

The period, based on which social security benefits are calculated, will be increased from 12 to 18 months for sickness benefits and from 18 to 24 months for maternity benefits.

New cash control rules

Individuals entering or leaving EU territory through Bulgaria should declare any amounts of €10,000 or above (or other currency equivalent) to the Bulgarian customs authorities. They would have to present also a certificate issued by the National Revenue Agency for lack of outstanding public liabilities, if the amount intended for a non-EU country exceeds BGN 30,000 (€15,339 or another currency equivalent).

The Bulgarian customs authorities may also require travellers to declare intra-Community cash movements of €10,000 or above (or other currency equivalent).

Statistical reporting of money transfers

The statistical reporting requirements which previously applied only to banks, are now extended to all payment service providers making transfers abroad. Changes to the thresholds for reporting international transfers have also been introduced.

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