

Tax & Legal Alert

Ernst & Young Bulgaria

Contents

- ▶ The European Commission requests Bulgaria to amend its VAT rules
- ▶ Tax authorities serve electronic notices
- ▶ Rise in 2012 Intrastat thresholds
- ▶ New documents required for supplies related to ships and aircrafts
- ▶ Customs officials to investigate crimes
- ▶ Changes in 2012 customs tariff
- ▶ Regulation of distance working
- ▶ New requirements to personal data administrators
- ▶ Reminder: Companies to register with the Commercial Register by 31 December 2011

In this edition of the Tax & Legal Alert, we highlight the latest EU developments affecting Bulgaria, as well as recent domestic legislative changes

The European Commission requests Bulgaria to amend its VAT rules

According to the European Commission, the Bulgarian rules regarding VAT refund to taxable persons subject to a tax audit discriminate against persons involved in intra-Community transactions. Under the current rules, tax audits of taxable persons carrying out transactions with other EU Member States take twice as long as audits of those involved in domestic supplies. In view of the existing provision that VAT is refunded at the end of the audit procedure, intra-EU traders wishing to obtain the refund earlier need to lodge a security or a bank guarantee for twice as long.

Bulgaria should bring these rules into compliance with the EU VAT rules by the end of 2011 to avoid an infringement procedure before the European Court of Justice.

Tax authorities serve electronic notices

Taxpayers who have notified their e-mail addresses to the Registry Agency or to the National Revenue Agency are now receiving electronic notices and documents, such as orders for start/suspension of tax audits. Decisions on appeals against tax assessment acts are also served electronically. In such case, their receipt triggers terms for appeals.

Rise in 2012 Intrastat thresholds

As of 1 January 2012, the threshold for Intrastat reporting will rise to BGN 200,000 for arrivals and to BGN 230,000 for dispatches. The threshold for reporting the statistical value of the goods will be BGN 4 million for arrivals and BGN 9,5 million for dispatches.

New documents required for supplies related to ships and aircrafts

Suppliers of goods for fuelling and provisioning of vessels should observe new documentary requirements for VAT purposes. The changes will also affect supplies of services related to vessels and aircrafts, such as repair, maintenance and hiring.

Customs officials to investigate crimes

Recent amendments to the Bulgarian Customs Code entrust investigation of certain customs, tax and economic crimes to special customs investigators. They will be able to search and confiscate items, as well as to detain alleged perpetrators for up to 24 hours.

Changes in 2012 customs tariff

The EU Combined Nomenclature for 2012, introducing some tariff code changes, has now been published.

Regulation of distance working

The conditions under which employees may perform distance work are now explicitly defined in the Labor Code. Key aspects of distance work include:

- ▶ Working place and equipment
- ▶ Working hours and rest periods
- ▶ Social integration with employees working in the premises of the employer
- ▶ Professional qualification and training for distance working employees

Employees performing their duties by means of information technologies at home or other specifically designated places should enjoy the same rights and opportunities pursuant to the labor legislation as the employees working at employers' premises.

New requirements to personal data administrators

As of 21 October 2011, personal data administrators will be required to submit applications to terminate their registration with the Personal Data Administrators Register before ceasing data processing activities and to justify to the Personal Data Protection Commission the actual destruction of personal data kept by them or its transfer to another administrator.

Under the new rules, personal data administrators should provide for and perform periodic reviews of the personal data which they keep.

Reminder: Companies to register with the Commercial Register by 31 December 2011

Companies, sole traders and branches of foreign companies that have not applied yet for registration with the Commercial Register should do so by 31 December 2011. Otherwise, the current registration of sole proprietors and the branches of foreign companies will be closed and all business activities of the companies will be terminated.

As of 1 January 2012, liquidation of companies with terminated business activities could be initiated only by:

- ▶ Their shareholders and board members
- ▶ Parties to pending court cases
- ▶ Creditors, whose claims are approved by public authorities
- ▶ Public authorities

Their registered representatives will automatically be appointed as liquidators. Bulgarian law does not specify how creditors could collect their receivables if they fail to file court claims by 31 December 2011.

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