

Frequently asked questions. How can EY help?



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EURO SMITCH

On 8 July 2025, the Council of the European Union officially approved Bulgaria's accession to the eurozone, and the country will start using the euro from 1 January 2026. This makes Bulgaria the 21st member state of the eurozone.

The transition from lev to euro is a strategically crucial step for businesses and requires timely preparation. This preparation should include analysis and implementation of key actions related to ensuring compliance with the new legal, tax, accounting and payroll requirements, as well as adapting the information systems used in the companies' operations.

The EY team has prepared answers to the main questions facing businesses at this pivotal for Bulgaria moment. Below you will find a summary of the information that should be considered during the preparation.



What is the official exchange rate? >>



What is the rule for currency conversion and rounding? »



Is there a specific rule for converting salaries, benefits and other liabilities to personnel?»



When will payments in BGN be suspended? >>>



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What is the official exchange rate?

Is your business prepared?

Effective from the date of introducing the euro, the official currency in the Republic of Bulgaria will be the euro (EUR).

The official exchange rate of the Bulgarian lev (BGN) to the euro will be 1.95583 leva for one euro.



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What is the official exchange rate? >>

What is the rule for currency conversion and rounding?

Is there a specific rule for converting salaries, benefits and other liabilities to personnel? »

When will payments in BGN be suspended?»



What is the rule for currency conversion and rounding?

Is your business prepared?

The conversion from BGN to EUR is conducted by dividing the amount in BGN by the full numerical value of the official exchange rate, expressed with six digits, including all five decimal points.

The amount received is rounded to the second decimal point based on the following mathematical rule:

- When the third digit after the decimal point is less than five, the second digit after the decimal point remains unchanged.
- When the third digit after the decimal point is equal to or greater than five, the second digit after the decimal point is increased by one.



Is your business prepared?

What is the official exchange rate? >>

What is the rule for currency conversion and rounding? »

Is there a specific rule for converting salaries, benefits and other liabilities to personnel?

When will payments in BGN be suspended?»



Effective from the date of introducing the euro in the Republic of Bulgaria, the employment remuneration, monetary compensantion, cash and social benefits and pensions under Part 1 of the Social Security Code shall be converted according to the conversion rule above.

After conversion, the resulting amounts are rounded to the nearest euro cent, and if the third digit after the decimal point is greater than zero, the second digit is increased by one.

The specific rounding rule also applies to employment remuneration, monetary compensantion, cash and social benefits and pensions under Part 1 of the Social Security Code, which are defined in leva but have not been paid by the date of introducing the euro in the Republic of Bulgaria.





Is your business prepared?

EURO SWITCH

What is the official exchange rate? >>

What is the rule for currency conversion and rounding? »

Is there a specific rule for converting salaries, benefits and other liabilities to personnel? »

When will payments in BGN be suspended?



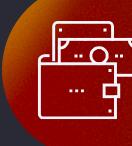


From the date of introducing the euro in the Republic of Bulgaria for a period of one month, both the Bulgarian lev and the euro will be legal payment methods on the territory of the Republic of Bulgaria (a period of dual circulation of the Bulgarian lev and the euro).

During this one-month period, payments in BGN, including taxes, fees and social security contributions, may only be made in cash at a cash desk, whenever this is permissible.

If change is required during a cash transaction, the change must be given in euro banknotes and coins.

From 1 January 2026, bank payments will be made exclusively in euro.





Is your business prepared?

Legal questions

Financial reporting »

Tax matters »

Employment and payroll matters »

Legal questions

Can prices in euro for consumers be rounded down during the dual pricing period to avoid inaccurate amounts with euro cents?

The conversion must be conducted precisely according to the rules of the Law on the Introduction of the Euro in the Republic of Bulgaria (the Law). If the amount in EUR is rounded down without a corresponding reduction in the price in BGN, it could be interpreted as an attempt to mislead consumers, which may be subject to penalties under both the Consumer Protection Act and the Protection of Competition Act.



Is your business prepared?

Legal questions

Financial reporting »

Tax matters »

Employment and payroll matters »

Legal questions

Do commercial agreements need to be amended in relation to the change of official currency?

No. However, it is advisable to review the potential effects of the currency change on key commercial agreements and financing terms, especially preliminary agreements, option agreements, currency transactions, collateral, etc.



Is your business prepared?

Legal questions

Financial reporting »

Tax matters »

Employment and payroll matters »

Legal questions

How will the capital of joint-stock companies and limited partnerships with shares be converted?

The nominal value of a share is converted from BGN to EUR by dividing the nominal value of the share in BGN by the full numerical value of the official exchange rate, and the result is rounded according to the rounding rule. The capital of a joint-stock company and a limited partnership with shares in euro is formed by the nominal value of one share, determined in euro, multiplied by the number of shares.



Is your business prepared?

Legal questions

Financial reporting »

Tax matters »

Employment and payroll matters »



Legal questions

How will the capital of a limited liability company be converted?

The capital of a limited liability company is converted from BGN to EUR by dividing the registered capital amount in BGN by the full numerical value of the official exchange rate, and the result is rounded according to the rounding rule. The size of each partner's share in the capital of a limited liability company is calculated by distributing the converted capital amount among the partners according to their participation in the capital before conversion, to maintain their share of the capital. Although the law provides that upon its adoption, a share can be at least 0.01 EUR (1 EUR cent), this contradicts the rule in the Commercial Law that a share must be a multiple of 1. Therefore, the capital should be reduced/increased by 5%, following the special procedure provided in the Law on the Introduction of the Euro, to avoid shares with amounts below 1 EUR.

Is your business prepared?

Legal questions »

Financial reporting

Tax matters »

Employment and payroll matters »



Financial reporting

In what currency should documents issued in BGN before the date of the introduction of the euro and received by the company after the date of the introduction of the euro be accounted for?

Documents issued in BGN before the date of introduction of the euro and received by the company during the period between the date of introduction of the euro and the date of approval for issuing the annual financial statements in BGN are accounted for in BGN.

Documents issued in BGN before the date of introducing the euro but received by the company after the date of introducing the euro and after the date of approval for issuing the annual financial statements in BGN are accounted for in the current reporting period in EUR. In this situation, it is necessary to consider the need for reissuing the financial statements in BGN or applying IAS 8/ NAS 8 for corrections of errors from previous periods, depending on the materiality for the financial statements.

Is your business prepared?

Legal questions »

Financial reporting

Tax matters »

Employment and payroll matters »

Financial reporting

How should documents issued in another foreign currency be recalculated in euro?

Documents issued in another foreign currency (e.g., US dollars) are recalculated in euro according to the rules of NAS 21 and IAS 21, using the exchange rate of the euro against that foreign currency.



Is your business prepared?

Legal questions »

Financial reporting

Tax matters »

Employment and payroll matters »

Financial reporting

After the date of introducing the euro, should companies recalculate primary and secondary accounting documents, registers, reports containing accounting information, and reflected in the accounting of the company before the date of introducing the euro?

All primary and secondary accounting documents, registers, reports, declarations, and related items containing accounting information and reflected in the accounting of the company before the date of introducing the euro are not recalculated in euro.



Is your business prepared?

Legal questions »

Financial reporting

Tax matters »

Employment and payroll matters »

Financial reporting

How are the opening balances in the accounting registers converted on the date of the introduction of the euro?

As of the date of the introduction of the euro, the opening balances of all assets and liabilities are converted from BGN to EUR at a detailed analytical level, applying the rules for conversion and rounding specified in Art. 12 and Art. 13 of the Law on the Introduction of the Euro in the Republic of Bulgaria. The resulting exchange rate differences, except for those arising from elements of equity/other comprehensive income, are recognized in income and expenses for the period of the introduction of the euro.



s your business prepared?

Legal questions »

Financial reporting

Tax matters »

Employment and payroll matters »

Financial reporting

What is the first reporting period for which companies should prepare and present financial statements in euro?

Reports with the date of the annual financial statements after the date of the introduction of the euro (1 January 2026) are prepared and presented in EUR thousands, with data for the previous reporting period recalculated in EUR thousands in compliance with the rules of Art. 12 and Art. 13 of the Law, to ensure compatibility between the current and previous periods.



Is your business prepared?

Legal questions »

Financial reporting »

Tax matters

Employment and payroll matters »

Tax matters

How will tax, social and health insurance contributions and other public liabilities be declared after the introduction of the euro?

They are declared in the currency that was applicable for the relevant period, i.e., for periods starting on 1 January 2026, they must be declared in EUR.

What currency should be used for submitting corrective tax and social security declarations?

Corrective tax and social security declarations should be prepared and submitted in the currency in which the original declaration is submitted.



Is your business prepared?

Legal questions »

Financial reporting »

Tax matters

Employment and payroll matters »



Tax matters

How will invoices and other tax documents be issued after the introduction of the euro and during the dual designation period?

In euro. The amounts on the invoice can be quoted in any currency, provided that the tax base and the amount of tax are indicated in euro.

What are the requirements for fiscal/system receipts after the introduction of the euro?

During the dual designation period for the prices of goods and services until 8 August 2026, inclusive, the total final amount must be declared in the issued fiscal/system receipt or in another document recording the payment, in both EUR and BGN, along with the official exchange rate of the BGN to the EUR.

From 1 January 2026 any person required to issue a fiscal/system receipt must register and report them in euro and cents.

Is your business prepared?

Legal questions »

Financial reporting »

Tax matters

Employment and payroll matters »

Tax matters

Tax audit acts after the introduction of the euro concerning previous periods

Tax audit acts will be issued in BGN for the audited periods up to 31 December 2025. Payment of public obligations will be made in euro.

Specific tax issues related to the introduction of the euro - content of the unified tax account

It is recommended to inquire about the content of the company's unified tax account immediately after 1 January 2026.



Is your business prepared?

Legal questions »

Financial reporting »

Tax matters »

Employment and payroll matters

Employment and payroll matters

Is it necessary to sign annexes to the employment agreements of employees in connection with the currency conversion of remuneration from 1 January 2026?

No. There is an automatic conversion regarding salaries, which means that the amounts can only be rounded up, not down. Therefore, under the Labor Code, there will be no requirement to amend employment agreements. However, the internal documentation of the company should be reviewed, and the change in currency should be reflected wherever necessary (for example, rules for the structure and organization of the salary, etc.). Attention should also be paid to any agreements that allow employees to acquire shares/stocks in the future, as well as policies for additional incentives, where there may be effects and uncertainties regarding the conditions for implementation after the introduction of the new currency.



Is your business prepared?

Legal questions »

Financial reporting »

Tax matters »

Employment and payroll matters

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What happens to BGN bank accounts when the euro is adopted?

On 1 January 2026, all funds in BGN accounts (current, deposit, savings, collection, liquidation and other accounts in BGN) will be converted to EUR in a one-time, automatic process at the official exchange rate. All accounts will retain their International Bank Account Number (IBAN), and the accounts in BGN will become EUR accounts.



Is your business prepared?

Legal questions »

Financial reporting »

Tax matters »

Employment and payroll matters

Employment and payroll matters When the salaries for December 2025 are paid in January 2026 in

When the salaries for December 2025 are paid in January 2026, in what currency should the payroll for December 2025 be prepared?

The payroll for the period (month) in which the Bulgarian lev was the official currency should be in BGN, even though the salary is paid in EUR after the date of the introduction of the euro.

How should the payslips be prepared during the dual designation of prices – in BGN, in EUR or in both currencies?

Salaries and other elements of the remuneration do not fall under the requirement for dual designation, and there is no need to present them on payslips in both EUR and BGN.



EURO SMITCH

How can Ey help?



Ensure Regulatory
Compliance >>



Support Operational Activities »



Support Implementation Process »



Is your business prepared?

How can Ey help?

Ensure Regulatory Compliance



Support Operational Activities »

Support Implementation Process »



Ensure Regulatory Compliance

- Conduct a dedicated technical workshop for client's personnel, offering an overview of the key accounting, reporting, tax, payroll, and legal aspects of the Euro transition process. The workshop will also include a Q&A session to address client-specific questions. The workshop duration can be customized to meet the client's needs (e.g., 2-4 hours).
- Provide on-call advisory services in response to specific queries related to accounting, reporting, tax, payroll, and legal matters.



Is your business prepared?

How can Ey help?

Ensure
Regulatory Compliance »

Support
Operational Activities

Support Implementation Process »



Support Operational Activities

- Perform a comprehensive gap analysis to assess client's readiness for the Euro transition process. This includes identifying discrepancies between current practices and the requirements for successful euro adoption across key areas such as accounting, financial reporting, IT systems, tax, payroll, and legal compliance.
- Evaluate existing internal policies, procedures, contracts, and system capabilities to pinpoint areas requiring updates or adjustments.
- Create detailed operational plan tailored to client's business specifics with steps, timeline, resources, and milestones for the successful completion of the Euro conversion process.
- For clients that have already developed Euro conversion operational plans, EY can conduct an independent review to assess completeness and effectiveness, identify potential gaps, and provide tailored recommendations for improvement.

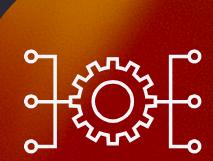
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How can Ey help?

Ensure
Regulatory Compliance »

Support
Operational Activities >>

Support Implementation Process



Support Implementation Process

EY offers hands-on support to assist clients throughout the implementation phase of the euro conversion process, ensuring a smooth and compliant transition. Our services may include:

Assistance with
Accounting and Reporting

Assistance with
tax matters

Legal
assistance

Assistance with payroll and HR administration

Project Management Support



Is your business prepared?

How can Ey help?

Ensure
Regulatory Compliance »

Support
Operational Activities >>

Support Implementation Process



Assistance with Accounting and Reporting >>

Assistance with tax matters >>

Legal assistance >>

Assistance with payroll and HR administration >>

Project
Management
Support >>

Assistance with Accounting and Reporting

- Provide support with the initial conversion of general ledger opening balances as of 1 January 2026;
- Provide guidance for accurate accounting treatment during the transition period including the proper posting of invoices and recognition of foreign exchange differences.
- Assist in the preparation of the first euro-denominated financial statements, including restatement of comparative information, and support the update of accounting policies and disclosures to reflect the euro adoption.

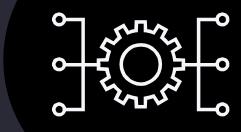


How can Ey help?

Ensure Regulatory Compliance »

Support Operational Activities »

Support Implementation Process





Assistance with Accounting and Reporting >>

Assistance with tax matters >>

Legal assistance >>

Assistance with payroll and HR administration >>

Project Management Support >>

Assistance with tax matters

- Assistance with adapting and testing information systems regarding tax returns and tax documents
- Conducting employee training on company-specific tax issues
- Advice on the tax implications of dual pricing
- Assistance in compiling tax and social securities documents and declarations or review of already compiled ones
- Advice and review of compliance with current changes in fiscal receipt/system receipt requirements
- Analysis of tax implications related to exchange rate differences and vouchers for previous periods
- Comments on the rules for paying state and municipal taxes and fees, as well as social and health insurance contributions
- Assistance with necessary adjustments related to tax returns for previous periods
- Assistance with objections and requests for reimbursement of unduly paid taxes and social security contributions from the National Revenue Agency, relating to periods before the introduction of the euro
- Assistance with other specific tax issues arising from the adoption of the euro as the official currency in the Republic of Bulgaria



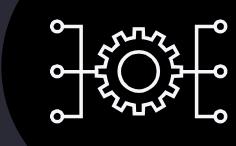
Is your business prepared?

How can Ey help?

Ensure
Regulatory Compliance »

Support
Operational Activities »

Support Implementation Process



Assistance with Accounting and Reporting >>

Assistance with tax matters >>

Legal assistance >>

Assistance with payroll and HR administration >>

Project
Management
Support >>

Legal assistance

- Assistance for the conversion of the capital, amendment of the incorporation documents /statutes, Articles of Associations, Incorporation deeds etc./ and record in the Commercial registry.
- Advice and assistance with compliance with price labels and communication in order to avoid sanctions from the
 regulators Commission for Consumer Protection (CCP) and the Commission for Protection of Competition (CPC)
 for misleading, etc. This includes alignment of General Terms and Conditions, communication on websites and
 platforms, advertising communication, advice on proper planning of advertising activities coinciding during and
 after the introduction of the euro, preliminary trainings of marketing departments, etc.
- Review and analysis of documentation and rules related to the remuneration of workers and employees, identification of necessary changes related to the introduction of the new currency, amendment of the internal rules on the structure and organization of the salary, etc.
- Review and analysis of existing fundings and commercial contracts with suppliers and customers, with a view to the impact on the existing agreements and possible negative consequences or amendments related to changes in payments in euros, adaptation and amendments, if necessary, etc.



Is your business prepared?

How can Ey help?

Ensure
Regulatory Compliance >>

Support
Operational Activities »

Support Implementation Process



Assistance with Accounting and Reporting >>

Assistance with tax matters >>

Legal assistance >>

Assistance with payroll and HR administration >>

Project
Management
Support >>

Assistance with payroll and HR administration

- Training and guidance for the team involved in payroll and HR administration processes on the rounding rules applicable to different elements of remuneration, specifics in cross-border situations, payroll-related reporting requirements and the preparation of payroll documentation following the adoption of the euro.
- Ongoing support and advice on payroll-specific questions during the implementation period.



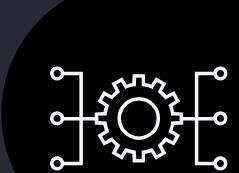
Is your business prepared?

How can Ey help?

Ensure
Regulatory Compliance »

Support
Operational Activities >>

Support Implementation Process



Assistance with Accounting and Reporting >>

Assistance with tax matters >>

Legal assistance >>

Assistance with payroll and HR administration >>

Project
Management
Support >>>

Project Management Support

- Assist in coordinating internal and external stakeholders, tracking key milestones, and ensuring timely execution of Euro conversion process in alignment with the client's operational plan.



Support in preparing for the transition

EY offers practical support to support clients throughout the implementation phase of the transition to the euro, ensuring a smooth and compliant transition.



EY | Assurance | Tax | Strategy and Transactions | Law

About EY

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today. EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

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