



**REPUBLIC OF BULGARIA**  
**MINISTRY OF FINANCE**

**Tax Policy Directorate**

**TAX EXPENDITURE FORECAST IN 2016**

Type of Tax	Number of Tax Expenditure	Number of Tax	Estimate 2016
			(in BGN)
VAT	2	1	101 348 375
Excise duties	8	6	157 887 548
Corporate income taxes	19	9	269 523 780
Personal income taxes	7	7	39 747 948
<b>Total</b>	<b>36</b>	<b>23</b>	<b>568 507 652</b>

**Explanatory note for Tax Expenditure Forecast in 2016**

Annual Tax Expenditure Reports are prepared and published in order to provide transparency concerning the provisions regulating tax incentives and reliefs. The preparation of the Tax Expenditure Report is legally regulated by Article 16, paragraph 4 of the Public Finance Law and in line with Article 14, paragraph 2 of Directive 2011/85/EU of the Council of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Currently in Bulgaria there were prepared several Tax Expenditure Reports covering the period from 2007 to 2014. Since 2012 a regular annual publication of the Tax Expenditure Report with detailed information about the effects of tax expenses on tax revenues has been introduced. All the reports for past reference periods are used as a basis for prevision of future tax expenditures.

The applied methodology for the forecast of tax expenditures for 2016 is the same used in the preparation of the previous tax expenditures reports and includes the following main stages:

- Making a list of the active tax incentives and reliefs under the Value Added Tax Law, the Excise Duty and Tax Warehouses Law, the Corporate Income Tax Law and the Personal Income Tax Law for 2016;
- Determination of the tax incentives and reliefs as tax expenditures or as a part from the benchmarking items;
- Making a list of the 2016 tax expenditures;
- Selecting the appropriate methods for the tax expenditures measuring;
- Analysing the available information and the sources of information for the tax expenditures measuring;
- Measuring Tax Expenditures;

For the purposes of the present forecast the method of revenue foregone is used. This is the most commonly used method of measuring taxes, which involves estimation of amounts not paid for the budget as a result of the existence of a certain tax expenditure item.

The evaluation of tax expenditures of different type of tax is based on the available information from the Autumn Macroeconomic Forecast of the Ministry of Finance for the period 2015 - 2018, the acting legislation, the underlying basic assumptions in the updated medium term budget forecasts and on the basis of information provided by the National Revenue Agency, the National Customs Agency, the National Statistical Institute, the Bulgarian National Bank etc.