Corporate Income Tax Act

Promulgated, State Gazette No. 105/22.12.2006, effective 1.01.2007, amended and supplemented, SG No. 52/29.06.2007, effective 1.11.2007, supplemented, SG No. 108/19.12.2007, effective 1.01.2007, amended and supplemented, SG No. 110/21.12.2007, effective 1.01.2008, SG No. 69/5.08.2008, effective 1.01.2009, SG No. 106/12.12.2008, effective 1.01.2009, SG No. 32/28.04.2009, effective 1.01.2010, amended, SG No. 35/12.05.2009, effective 12.05.2009, amended and supplemented, SG No. 95/1.12.2009, effective 1.01.2010, SG No. 94/30.11.2010, effective 1.01.2011, SG No. 19/8.03.2011, effective 8.03.2011, supplemented, SG No. 31/15.04.2011, SG No. 35/3.05.2011, effective 3.05.2011, amended, SG No. 51/5.07.2011, SG No. 77/4.10.2011, amended and supplemented, SG No. 99/16.12.2011, effective 1.01.2012, SG No. 40/29.05.2012, effective 1.07.2012, SG No. 94/30.11.2012, effective 1.01.2013, supplemented, SG No. 15/15.02.2013, effective 1.01.2013, SG No. 16/19.02.2013, amended and supplemented, SG No. 23/8.03.2013, effective 8.03.2013, SG No. 68/2.08.2013, effective 1.01.2014, supplemented, SG No. 91/18.10.2013, effective 1.07.2013, amended and supplemented, SG No. 100/19.11.2013, effective 1.01.2014, SG No. 109/20.12.2013, effective 1.01.2014, SG No. 1/3.01.2014, effective 1.01.2014, SG No. 105/19.12.2014, effective 1.01.2015, supplemented, SG No. 107/24.12.2014, effective 1.01.2015, amended, SG No. 12/13.02.2015, amended and supplemented, SG No. 22/24.03.2015, effective 1.01.2014, amended, SG No. 35/15.05.2015, effective 15.05.2015, SG No. 79/13.10.2015, effective 1.08.2016, amended and supplemented, SG No. 95/8.12.2015, effective 1.01.2016, supplemented, SG No. 32/22.04.2016, effective 1.01.2017, amended, SG No. 74/20.09.2016, effective 1.01.2018, amended and supplemented, SG No. 75/27.09.2016, effective 1.01.2016, SG No. 97/6.12.2016, effective 1.01.2017, amended, SG No. 58/18.07.2017, effective 18.07.2017, SG No. 85/24.10.2017, SG No. 92/17.11.2017, effective 1.01.2018, SG No. 97/5.12.2017, effective 1.01.2018, supplemented, SG No. 103/28.12.2017, effective 1.01.2018, amended, SG No. 15/16.02.2018, effective 16.02.2018, supplemented, SG No. 91/2.11.2018, effective 2.05.2019, amended and supplemented, SG No. 98/27.11.2018, effective 1.01.2019, amended, SG No. 102/11.12.2018, effective 1.01.2019, SG No. 103/13.12.2018, effective 1.01.2019, SG No. 105/18.12.2018, effective 1.01.2019, SG No. 24/22.03.2019, effective 1.07.2020 (*), amended and supplemented, SG No. 64/13.08.2019, effective 13.08.2019, SG No. 96/6.12.2019, effective 1.01.2020, amended, SG No. 101/27.12.2019, SG No. 102/31.12.2019, effective 1.01.2020

Text in Bulgarian: Закон за корпоративното подоходно облагане

PART ONE
GENERAL DISPOSITIONS

Chapter One
GENERAL PROVISIONS

Scope of Taxation

Article 1. This Act regulates taxation of:

1. the profit accruing to resident legal persons;

2. the profit accruing to resident legal persons which are not merchants, including the organizations of the religious denominations, from any transactions covered under Article 1 of the Commerce Act, as well as from letting movable and immovable property;

3. (supplemented, SG No. 95/2009, effective 1.01.2010) the profit accruing to non-resident legal persons from a permanent establishment in the Republic of Bulgaria or from disposition of property of any such permanent establishment;

4. the income, as specified in this Act, accruing to resident and non-resident legal persons from a source inside the Republic of Bulgaria;

5. the expenses as specified in Part Four herein;

6. (amended, SG No. 1/2014, effective 1.01.2014) the activities of organizers of the games of chance specified in this Act;

7. the income accruing to public-financed enterprises from any transactions covered under Article 1 of the Commerce Act, as well as from letting movable and immovable property;

8. the vessels operation activity of persons which carry out maritime merchant shipping;

9. (new, SG No. 105/2014, effective 1.01.2015) the additional expenses of the National Representatives.

Taxable Persons

Article 2. (1) Taxable persons shall be:

1. the resident legal persons;

2. (supplemented, SG No. 95/2009, effective 1.01.2010) the non-resident legal persons which carry out economic activity in the Republic of Bulgaria through a permanent establishment, which effect disposition of property of any such permanent establishment, or which receive income from a source inside the Republic of Bulgaria;

3. (supplemented, SG No. 31/2011, effective 1.01.2011, amended, SG No. 12/2015) the sole traders as well as the natural persons registered as tobacco manufacturers and farmers who determine their taxable income according to Article 26 of the Income Taxes on Natural Persons Act: in respect of the taxes withheld at source and in the cases specified in the Income Taxes on Natural Persons Act;

4. the natural persons who are merchants within the meaning given by Article 1 (3) of the Commerce Act: in the cases specified in the Income Taxes on Natural Persons Act;

5. the employers and the commissioning entities under contracts for management and control: in respect of the tax on the expenses on fringe benefits, provided for in Part Four herein;

6. (new, SG No. 105/2014, effective 1.01.2015) the National Assembly of the Republic of Bulgaria: in respect of the tax on the additional expenses of the National Representatives.

(2) For the purposes of this Act, the unincorporated associations and the contribution payment centres established in pursuance of Article 8 of the Social Insurance Code shall be treated as equivalent to legal persons.

(3) For the purposes of taxation of income from a source inside the Republic of Bulgaria, any non-resident organizationally and economically distinct formation (trust, fund and other such), which independently carries out economic activity or performs and manages investments, shall likewise be a

taxable person where the owner of the income cannot be identified.

Resident Legal Persons

Article 3. (1) "Resident legal persons" shall be:

1. any legal persons incorporated under Bulgarian law;

2. any companies incorporated under Council Regulation (EC) No. 2157/2001, and any cooperative society incorporated under Council Regulation (EC) No. 1435/2003, where the registered office thereof is situated in the country and they are entered into a Bulgarian register.

(2) Any resident legal persons shall be liable to taxes under this Act in respect of the profits and income accruing thereto from all sources inside and outside the Republic of Bulgaria.

Non-resident Legal Persons

Article 4. (1) "Non-resident legal persons" shall be any persons which are not resident persons.

(2) (Amended, SG No. 95/2009, effective 1.01.2010) Any non-resident legal persons shall be liable to taxes under this Act in respect of the profits realized through a permanent establishment in the Republic of Bulgaria or from disposition of property of any such permanent establishment, as well as in respect of the income as specified in this Act accruing from a source inside the Republic of Bulgaria.

Types of Taxes

Article 5. (1) Profits shall attract a corporation tax.

(2) The income accruing to any resident and non-resident legal persons, as specified in this Act, shall attract a tax withheld at source.

(3) The expenses, as specified in this Act, shall attract a tax on expenses.

(4) A tax alternative to corporation tax shall be levied on:

1. (amended, SG No. 1/2014, effective 1.01.2014) the activity of organizing the games of chance specified in this Act;

2. the income accruing to public-financed enterprises from any transactions covered under Article 1 of the Commerce Act, as well as from letting movable and immovable property;

3. the vessels operation activity.

(5) (New, SG No. 32/2016, effective 1.01.2017) The taxi transport of passengers activity of persons referred to in Items 1 and 2 of Article 2 (1) herein shall attract a tax on taxi transport of passengers according to the procedure established by the Local Taxes and Fees Act. With regard to all other activities, such persons shall be taxed according to the procedure established by this Act.

Determination of Amount of Tax

Article 6. The amount of tax shall be determined by multiplying the taxable amount by the rate of tax.

Tax Returns

Article 7. (1) (Previous text of Article 7, SG No. 97/2016, effective 1.01.2018) The standard forms of returns and of other documents under this Act shall be endorsed by an order of the Minister of

Finance and shall be promulgated in the State Gazette.

(2) (New, SG No. 97/2016, effective 1.01.2018) The tax returns in a standard form under this Act shall be submitted by electronic means.

Remittance of Taxes

Article 8. (1) (Amended, SG No. 105/2014, effective 1.01.2015) The taxes due under this Act shall be remitted by the taxable persons in revenue to the State budget.

(2) The taxes due shall be credited to an account of the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable persons or over the place where the taxable persons are registrable.

(3) (Amended, SG No. 105/2014, effective 1.01.2015) The taxes due shall be deemed to be remitted on the date on which the amounts are received in the State budget on the account of the competent National Revenue Agency territorial directorate.

Default Interest

Article 9. Interest according to the Interest on Taxes, Fees and Other State Receivables Act shall be due on any taxes which are not remitted when due, including any tax prepayments.

Documentary Support

Article 10. (1) An accounting expense shall be recognized for tax purposes where it is supported by an accounting source document within the meaning given by the Accountancy Act.

(2) An accounting expense shall be recognized for tax purposes even where part of the information required under the Accountancy Act is missing in the accounting source document, provided that documents certifying any such missing information are available.

(3) (Amended, SG No. 95/2015, effective 1.01.2016) In cases other than those under Paragraph (2), an accounting expense shall be recognised even where the accounting source document has been issued by a person which is not an enterprise within the meaning given by Article 2 of the Accountancy Act and part of the information required under the Accountancy Act is missing in the document, provided that the said document gives a true view of the business transaction documented.

(4) (Amended, SG No. 23/2013, effective 8.03.2013) The taxable persons shall be obliged to register and account for any sale of goods and services as effected by means of issuing a fiscal cash receipt printed by a fiscal device (fiscal receipt) or by means of issuing a cash receipt from an integrated automated commercial activity management system (system receipt) according to a procedure established by an ordinance of the Minister of Finance, except where the payment is effected by bank transfer or through an offset. The lack of a fiscal cash receipt printed by a fiscal device or of a cash receipt from an integrated automated commercial activity management system(system receipt), where the issuance of such receipts is obligatory, shall be grounds to disregard an accounting expense.

(5) In respect of international air transport, an accounting expense shall be supported by documents where documented by means of an accounting source document and the boarding pass for the flight executed. Where the accounting source document (protocol) is issued by the person who effects the sale on behalf and for the account of the carrier, the said person shall be deemed to be an issuer of the said document.

(6) (New, SG No. 110/2007, supplemented, SG No. 23/2013, effective 8.03.2013, amended, SG No. 75/2016, effective 1.01.2016) Documentary support of the expenses referred to in Item 1 of Article

204 (1) herein, which attract a tax on expenses, shall be available even when the said expenses are documented only by a fiscal cash receipt printed by a fiscal device or by a cash receipt from an integrated automated commercial activity management system (system receipt). The expenses associated with operation of means of transport which are used both for the activity and for personal use shall be recognised for tax purposes even where a transportation control and movement document or other such document has not been issued where, upon determination of the taxable amount for levy of a tax on expenses under Item 4 of Article 204 (1) herein, the provision of Item 2 of Article 215a (2) herein has been applied.

Expenses Defined as Compulsory by Statutory Instrument

Article 11. Any expenses defined as compulsory by a statutory instrument shall be recognized for tax purposes and shall not attract a tax on expenses, unless otherwise provided for in this Act.

Tax Treatment of Operating Lease Contracts, according to International Accounting Standards, at Lessees

Article 11a. (New, SG No. 98/2018, effective 1.01.2019) (1) Any expenses and income arising from operating lease contracts, which are accounted for at lessees according to the International Accounting Standards, shall not be recognised for tax purposes. Any right-of-use assets arising from operating lease contracts, which are recognised at lessees according to the International Accounting Standards, shall not be tax depreciable assets.

(2) Any expenses and income, arrived at according to the rules of Accounting Standard 17 Leases with regard to operating leases, applied to the respective operating lease contracts under Paragraph (1), shall be recognised for tax purposes. The amounts under the foregoing sentence shall be treated as accounting expenses and income for the purposes of this Act.

Chapter Two
SOURCES OF PROFIT AND INCOME

Profit and Income from Sources Inside Republic of Bulgaria

Article 12. (1) (Amended, SG No. 95/2009, effective 1.01.2010) Any profits accruing to non-resident legal persons, derived from economic activity carried out through a permanent establishment in the country or from disposition of property of any such permanent establishment, shall have their source inside the country.

(2) Any income from financial assets issued by resident legal persons, the Bulgarian State and the municipalities, shall have its source inside the country.

(3) Any income from transactions in financial assets referred to in Paragraph (2) shall have its source inside the country.

(4) Any income from dividends and shares in a liquidation surplus, accruing from participating interests in resident legal persons, shall have its source inside the country.

(5) The following income, charged by resident legal persons, resident sole traders or non-resident legal persons and sole traders through a permanent establishment or a fixed base in the country or paid by resident natural persons or by non-resident natural persons who have a fixed base in the country in favour of non-resident legal persons, shall have its source inside the country:

1. any interest payments, including interest within payments under a financial lease contract;

2. any income from rent or other provision for use of movable or immovable property;

3. any copyright and licence royalties;

4. any technical assistance fees;

5. any payments received under franchising agreements and factoring contracts;

6. any compensations for management or control of a Bulgarian legal person.

(6) (Amended, SG No. 110/2007) Any income covered under Paragraph (5), which is charged in favour of non-resident legal persons from a permanent establishment of a resident person or from a fixed base of resident natural persons situated outside the territory of the country, shall not have its source inside the country.

(7) Any income from agriculture, forestry, hunting ground management and fisheries within the territory of the country shall have its source inside the country.

(8) (Amended, SG No. 94/2010, effective 1.01.2011) The following income shall have its source inside the country:

1. any income from rent or other provision for use of immovable property, including an undivided interest in immovable property, situated in the country;

2. any income from disposition of immovable property, including an undivided interest in or a limited right in rem to immovable property, situated in the country.

(9) (New, SG No. 94/2010, effective 1.01.2011, amended, SG No. 1/2014, effective 1.01.2014) Penalties and indemnities of any kind, excluding benefits under insurance policies, charged by resident legal persons, resident sole traders or non-resident legal persons and sole traders through a permanent establishment or a fixed base in the country in favour of non-resident legal persons established in preferential tax treatment jurisdictions shall be income having its source inside the country.

(10) (Renumbered from Paragraph (9), SG No. 94/2010, effective 1.01.2011) Upon determination of the source of income under this Article, the place of payment of the income shall be ignored.

Chapter Three
INTERNATIONAL TAXATION

International Treaties

Article 13. Where an international treaty, which has been ratified by the Republic of Bulgaria, has been promulgated and has entered into force, contains any provisions different from the provisions of this Act, the provisions of the relevant international credit shall prevail.

Foreign Tax Credit

Article 14. (1) Where the provisions of an international treaty referred to in Article 13 herein are not applied, the taxable persons shall be allowed foreign tax credit under the terms and according to the procedure established by this Act.

(2) Upon assessment of the corporation tax or of the alternative taxes under this Act, the taxable

persons shall be allowed foreign tax credit in respect of each tax similar to corporation tax or imposed in lieu of such tax and paid abroad.

(3) The taxable persons shall be allowed foreign tax credit in respect of the tax imposed abroad on the gross amount of the income from dividends, interest payments, copyright and licence royalties, technical assistance fees and rents.

(4) The tax credit referred to in Paragraphs (2) and (3) shall be determined for each State and for each type of income separately and shall be limited to the amount of the Bulgarian tax on the said profits or income.

Chapter Four
PREVENTION OF TAX EVASION

Transactions between Related Parties

Article 15. (Amended, SG No. 95/2009, effective 1.01.2010) Where related parties enter into commercial and financial relationships under terms which affect the amount of the taxable amount and which differ from the terms between unrelated parties, the taxable amount shall be determined and taxed under the terms which would have arisen in respect of unrelated parties.

Tax Evasion

Article 16. (1) (Amended, SG No. 95/2009, effective 1.01.2010) Where one or more transactions, inter alia between unrelated parties, has been concluded under terms whereof the fulfilment leads to tax evasion, the taxable amount shall be determined ignoring the said transactions, certain terms thereof or the legal form thereof and taking into consideration the taxable amount that would be obtained upon the effecting of a customary transaction of the relevant type at market prices and intended to achieve the same economic result but which does not lead to tax evasion.

(2) The following shall furthermore be treated as tax evasion:

1. any substantial excess of the quantities of raw and prime materials used as production inputs and other production costs over the customary quantities and costs for the activity carried out by the person, where any such excess is not due to reasons beyond the control of the person;

2. any contracts of loan for use or other gratuitous provision for use of tangible and intangible benefits;

3. any borrowing or lending at interest diverging from the market rate of interest as applicable at the time of conclusion of the transaction, including in the cases of interest-free loans or other temporary gratuitous financial assistance, as well as the write-off of debts or repayment of non-business debts for own account;

4. (amended, SG No. 94/2010, effective 1.01.2011) the charging of any remunerations or compensations for any services which have not been actually performed.

(3) Where a transaction is concealed by another, colourable transaction, the tax liability shall be assessed under the terms of the concealed transaction.

Article 17. (Repealed, SG No. 96/2019, effective 1.01.2020).

PART TWO

Chapter Five
GENERAL DISPOSITIONS

Tax Financial Result

Article 18. (1) (Amended, SG No. 110/2007) "Tax financial result" shall be the accounting financial result adjusted according to the procedure established by this Act.

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

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

Taxable Amount

Article 19. The taxable amount for assessment of the corporation tax shall be the tax profit.

Rate of Tax

Article 20. The rate of corporation tax shall be 10 per cent.

Tax Period

Article 21. (1) The tax period for assessment of the corporation tax shall be the calendar year, save as otherwise provided for in this Act.

(2) In respect of any newly incorporated taxable persons, the tax period shall cover the period from the date of incorporation thereof until the end of the year, save as otherwise provided for in this Act.

Chapter Six
GENERAL DISPOSITIONS REGARDING DETERMINATION OF TAX FINANCIAL RESULT

Determination of Tax Financial Result

Article 22. (Amended, SG No. 110/2007) The tax financial result shall be determined by means of adjusting the accounting financial result, according to a procedure and in a manner specified in this Act, for:

1. the permanent tax differences;

2. the temporary tax differences;

3. (amended, SG No. 95/2009, effective 1.01.2010) other amounts, in the cases provided for in this Act.

Permanent Tax Differences and Adjustment of Accounting Financial Result for Such Differences

Article 23. (1) "Permanent tax differences" shall be accounting income or expenses which are not recognized for tax purposes.

(2) For the purposes of determination of the tax financial result, where this Act indicates that:

1. a cost (loss) is not recognized for tax purposes, the accounting financial result shall be credited with any such cost (loss) in the year of accounting for the said cost (loss), and the accounting financial results shall not be adjusted during the succeeding years;

2. an income (profit) is not recognized for tax purposes, the accounting financial result shall be debited with any such income (profit) in the year of accounting for the said income (profit), and the accounting financial results shall not be adjusted during the succeeding years.

Temporary Tax Differences and Adjustment of Accounting Financial Result for Such Differences

Article 24. (1) Temporary tax differences shall arise where any income or expenses are recognized for tax purposes in a year other than the year of accounting for the said income or expense.

(2) A "temporary tax difference" shall be:

1. any expense unrecognized for tax purposes in the year of accounting for any such expense, which will be recognized during succeeding years, when the conditions for recognition according to this Part occur;

2. any income unrecognized for tax purposes in the year of accounting for any such income, which will be recognized during succeeding years, when the conditions for recognition according to this Part occur.

(3) (Amended, SG No. 96/2019, effective 1.01.2020) Temporary tax differences shall furthermore arise in the cases of:

1. transformation of corporations and cooperatives according to the procedure established by Chapter Nineteen herein;

2. transfer of assets/businesses according to the procedure established by Chapter Twenty herein.

(4) For the purposes of determination of the tax financial result, where this Act indicates that:

1. any cost (loss), which is not recognized for tax purposes in the year of accounting and will be recognized during succeeding years when the condition for recognition according to this Part occurs:

(a) the accounting financial result in the year of accounting for the cost (loss) shall be credited with any such cost (loss): origination of a temporary tax difference;

(b) the accounting financial result in the year when the condition for recognition according to this Part occurs shall be debited with any such cost (loss): reversal of a temporary tax difference;

2. any income (profit), which is not recognized for tax purposes in the year of accounting and will be recognized during succeeding years when the condition for recognition according to this Part occurs:

(a) the accounting financial result in the year of accounting for the income (profit) shall be debited with any such income (profit): origination of a temporary tax difference;

(b) the accounting financial result in the year of when the condition for recognition according to this Part arises shall be credited with any such income (profit): reversal of a temporary tax difference.

(5) (New, SG No. 96/2019, effective 1.01.2020) For the purposes of determining the tax financial result, where the temporary tax difference related to an asset is formed according to the procedure established by Chapter Twelve herein, the accounting financial result in the year of write-off of the

asset shall:

1. be debited with the amount of the temporary tax difference in the cases where the said difference is formed as a result of an excess of the market price of the asset over:

(a) the value for tax purposes of the assets: applicable to a temporary tax difference formed according to the procedure established by Item 2 of Article 155a (4) and Item 2 of Article 155b (5) herein;

(b) the accounting value of the asset: applicable to a temporary tax difference formed according to the procedure established by Article 155e (3) herein;

(c) the market price of the asset at the time of the previous transfer from the country: applicable to a temporary tax difference formed according to the procedure established by Article 155e (4) herein;

2. be credited with the amount of the temporary tax difference in the cases where the said difference is formed as a result of the market price of the asset being lower than:

(a) the value for tax purposes of the assets: applicable to a temporary tax difference formed according to the procedure established by Item 2 of Article 155a (4) and Item 2 of Article 155b (5) herein;

(b) the accounting value of the asset: applicable to a temporary tax difference formed according to the procedure established by Article 155e (3) herein;

(c) the market price of the asset at the time of the previous transfer from the country: applicable to a temporary tax difference formed according to the procedure established by Article 155e (4) herein.

(6) (New, SG No. 96/2019, effective 1.01.2020) For the purposes of determining the tax financial result, where the temporary tax difference related to a liability is formed according to the procedure established by Item 3 of Article 155b (5) herein, the accounting financial result in the year of write-off of the liability shall:

1. be debited with the amount of the temporary tax difference in the cases where the said difference is formed as a result of an excess of the value for tax purposes of the liability over the market price thereof;

2. be credited with the amount of the temporary tax difference in the cases where the said difference is formed as a result of an excess of the market price of the liability over the value for tax purposes of the said liability.

Tax-Recognized Income and Cost

Article 25. For the purposes of determination of the tax financial result, where this Act indicates that any income (cost) or profit (loss) is recognized for tax purposes in the year of accounting for such income, the accounting financial result for the current year or any succeeding years shall not be adjusted for the said income (cost) or profit (loss).

Chapter Seven
PERMANENT TAX DIFFERENCES

Disregarded Expenses

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

1. any non-business expenses;

2. any expenses which are not supported by documents within the meaning given by this Act;

3. any expenses on tax charged or credit for input tax used according to the Value Added Tax Act, where the expense incurred on the business transaction wherewith the value added tax is associated is not recognized for tax purposes;

4. (amended, SG No. 110/2007) any expense accounted for by a supplier under the Value Added Tax Act on value added tax charged by the said supplier or by the revenue authority in connection with a supply effected, with the exception of the tax charged in connection with supplies effected free of charge and supplies in connection with deregistration under the Value Added Tax Act; this item shall not apply to expenses accounted for as a result of an adjustment in the credit for input tax under the Value Added Tax;

5. (amended, SG No. 110/2007) any subsequent expenses accounted for in connection with a claim which has originated from a tax charged or credit for input tax used under Items 3, 4, 8 and 10;

6. (supplemented, SG No. 94/2012, effective 1.01.2013) any expenses on fines charged, forfeitures, including those under Article 307a of the Criminal Code, and other sanctions imposed for violation of statutory instruments, any default interest charged for late payment of public state or municipal debts;

7. any donation expenses other than such covered under Article 31 herein;

8. any expenses on a tax which is subject to withholding at source and is for the account of the payer of the income;

9. any wage expenses at commercial corporations wherein the State or a municipality holds an interest exceeding 50 per cent in excess of the resources fixed by statutory instruments;

10. (new, SG No. 110/2007) any expense accounted for upon enforcement of a liability for the value added tax due and unremitted in the cases referred to in Article 177 of the Value Added Tax Act;

11. (new, SG No. 110/2007) any expenses which constitute hidden profit distribution;

12. (new, SG No. 94/2012, effective 1.01.2013) any expenses on bribery and/or concealing bribery of a public official or of a foreign public official.

Disregarded Income

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

1. (supplemented, SG No. 69/2008, effective 1.01.2009) any income resulting from distribution of dividends by resident legal persons or foreign persons who are resident for tax purposes in a Member State of the European Union or in another State which is a Contracting Party to the the Agreement on the European Economic Area;

2. (supplemented, SG No. 95/2009, effective 1.01.2010, amended, SG No. 94/2012, effective 1.01.2013) any income originating in connection with any expenses unrecognized for tax purposes, as referred to in Items 3, 4, 5, 6, 8 and 10 of Article 26 herein, up to the amount of the unrecognized expenses;

3. any income from interest payments on unduly remitted or collected public obligations, as well as on value added tax not refunded within the statutory time limits, charged by the central-government or municipal authorities.

(2) Item 1 of Paragraph (1) shall not apply:

1. to any income charged as a result of distribution of dividends by licensed special purpose investment companies under the Special Purpose Investment Companies Act;

2. upon hidden profit distribution;

3. (new, SG No. 95/2015, effective 1.01.2016) to any income charged as a result of distribution of amounts, to the extent that such amounts are expenditures recognised for tax purposes and/or lead to a diminution in the tax financial result of the distributing person regardless of the manner of accounting for the said amounts at the said person.

Disregarded Expenses on Shrinkage and Wastage

Article 28. (1) Any accounting expenses on shrinkage of fixed and current assets shall not be recognized for tax purposes, with the exception of such due to a force majeure.

(2) Any accounting expenses on shrinkage and waste of stocks of materials shall not be recognized for tax purposes.

(3) Paragraph (2) shall not apply where the expenses are due to:

1. a force majeure;

2. spoilage or alteration of physical and chemical properties, as established by a statutory instrument or by company standards, where a statutory instrument does not exist, and in the customary amounts for the relevant activity;

3. expiry of the service life according to a statutory instrument or company standards, where a statutory instrument does not exist, and in the customary amounts for the relevant activity;

4. (new, SG No. 110/2007) shrinkage of merchandise arising from business operation at establishments where customers have direct physical access to the merchandise on offer, to an amount of up to 0.25 per cent of the amount of the net turnover of the distributive trade establishment concerned.

(4) (Amended, SG No. 97/2017, effective 1.01.2018) Any tax expense referred to in Article 79 (1) of the Value Added Tax Act on any assets, which is not recognised according to the procedure established by Paragraphs (1) to (3), shall not be recognised for tax purposes.

(5) Any subsequent accounting expenses, which have been accounted for in connection with a claim originating from shrinkage and wastage of any assets unrecognized according to the procedure established by Paragraphs (1) to (4), shall not be recognized for tax purposes.

Disregarded Expenses Originating in Connection with Shrinkage and Wastage

Article 29. Any accounting expenses which have originated in connection with any shrinkage and wastage of assets or any claim related therewith shall be disregarded up to the amount of the disregarded expenses referred to in Article 28 herein.

Recognition of Part of Non-distributable Expenses of Not-for-Profit Legal Entities

Article 30. (1) Any accounted for non-distributable expenses, corresponding to the activity subject to levy of corporate tax, incurred by any not-for-profit legal entities, shall not be recognised for tax purposes.

(2) The portion of the non-distributable expenses, determined by multiplying the total amount of non-distributable expenses by the proportion between the income from the activity subject to levy of corporate tax and all income accruing to the not-for-profit legal entity, shall be recognised for tax purposes.

Donation Expenses

Article 31. (1) The accounting expenses on donations to a total amount of up to 10 per cent of the positive accounting financial result (accounting profit) shall be recognized for tax purposes where the expenses on donations are incurred in favour of:

1. any health-care and medical-treatment facilities;

2. (amended, SG No. 51/2011, SG No. 24/2019, effective 1.07.2020 - amended, SG No. 101/2019) any social or integrated health and social services for residential care according to the Social Services Act, as well as of the Social Assistance Agency and of the Social Protection Fund under the Minister of Labour and Social Policy;

3. (supplemented, SG No. 106/2008, effective 1.01.2009, amended, SG No. 79/2015, effective 1.08.2016, repealed, SG No. 24/2019, effective 1.07.2020 - amended, SG No. 101/2019, and in the part concerning "homes for medical and social care for children according to the Medical-Treatment Facilities Act" - effective 1.01.2021);

4. any creches, kindergartens, schools, higher schools or academies;

5. any public-financed enterprises within the meaning given by the Accountancy Act;

6. any religious denominations registered in the country;

7. (amended, SG No. 105/2018, effective 1.01.2019) any specialised enterprises or cooperatives of people with disabilities, entered in the register referred to in Article 83 of the Persons with Disabilities Act, as well as in favour of the Agency for People with Disabilities;

8. any persons with disabilities, as well as for technical aids therefor;

9. (amended, SG No. 35/2009, effective 12.05.2009) any victims of disasters within the meaning given by the Disaster Protection Act, or of the families thereof;

10. the Bulgarian Red Cross;

11. any socially disadvantaged persons;

12. any children with disabilities or parentless children;

13. any cultural institutes, or for the purposes of cultural, educational or research exchange under an international treaty whereto the Republic of Bulgaria is a party;

14. (amended, SG No. 74/2016, effective 1.01.2018) any not-for-profit legal entities with public benefit status, with the exception of any organisations supporting culture within the meaning given by the Financial Support for Culture Act;

15. (amended, SG No. 32/2009 effective, 1.01.2010, repealed, SG No. 68/2013, effective 1.01.2014);

16. (supplemented, SG No. 35/2011, effective 3.05.2011) the Bulgaria Energy Efficiency and Renewable Sources Fund;

17. any therapeutic communities for narcotics-dependent persons, as well as of narcotics-dependent persons for the therapy thereof;

18. (new, SG No. 106/2008, effective 1.01.2009) the United Nations Children's Fund (UNICEF);

19. (new, SG No. 91/2018, effective 2.05.2019) social companies listed in the Register of Social Companies, for the conduct of their social activities and/or for attainment of their social goals.

(2) (Supplemented, SG No. 95/2009, effective 1.01.2010, amended, SG No. 99/2011, effective 1.01.2012, SG No. 97/2016, effective 1.01.2017, SG No. 102/2018, effective 1.01.2019) Accounting expenses on donations to the total amount of up to 50 per cent of the accounting profit shall be recognised for tax purposes, where the expenses on donations are incurred in favour of the National Health Insurance Fund: for activities relate to the medical treatment of children which are financed by transfers from the budget of the Ministry of Health, and the Assisted Reproduction Centre.

(3) The assistance provided gratuitously under the terms and according to the procedure established by the Financial Support for Culture Act shall be recognized for tax purposes to an amount of up to 15 per cent of the accounting profit.

(4) Any expenses on donations of computers and computer peripheral equipment, which are manufactured within one year prior to the date of the donation, and made in favour of Bulgarian schools, including higher schools, shall be recognized for tax purposes.

(5) The aggregate amount of the expenses on donations recognized for tax purposes under Paragraphs (1) to (4) may not exceed 65 per cent of the accounting profit.

(6) The entire expense on a donation shall not be recognized for tax purposes where the donation benefits, whether directly or indirectly, the managers who make it or those who dispose of the said donation, or where there is evidence that the gift has not been received.

(7) (New, SG No. 32/2009, effective 1.01.2010) Paragraphs (1) to (6) shall furthermore apply to donations made in favour of persons identical or similar to those listed in Paragraphs (1) to (4) who are established in, or citizens of, another Member State of the European Union, or of a State that is party to the Agreement on the European Economic Area, where the person who has made the donation holds an official legalised document attesting to the status of the recipient of the donation, issued or certified by a competent authority of the relevant foreign State, and the Bulgarian translation thereof performed by a sworn translator.

Taxable Person's Formation Expenses

Article 32. (1) The accounting expenses on the incorporation of a legal person shall be recognized for tax purposes at the taxable persons which are incorporators. The unrecognized expenses shall be recognized for tax purposes upon determination of the tax financial result of the newly formed legal person in the year of commencement of the legal existence thereof.

(2) The expenses referred to in Paragraph (1) shall be recognized for tax purposes in respect of the incorporators upon occurrence of circumstances determining that the legal existence of a new legal person will not commence. The said expenses shall be recognized in the year of occurrence of the said circumstances, if the requirements of this Act are complied with.

Tax Treatment of Income and Expenses, Profits and Losses, Accounted for by Controlling Partner in Jointly Controlled Enterprise

Article 32a. (New, SG No. 95/2009, effective 1.01.2009) The accounting income and expenses, profits and losses, accounted for by a controlling partner in a jointly controlled enterprise as a result of application of the proportionate consolidation method, shall not be recognized for tax purposes where the jointly controlled enterprise is a taxable person.

Natural Persons' Travel and Per Diem Expenses

Article 33. (Amended, SG No. 110/2007, effective 1.01.2007) (1) The following accounting travel and per diem expenses of natural persons shall be recognized for tax purposes, where the travel and stay were performed in connection with the activity of the taxable person:

1. the travel and per diem expenses of any natural persons who are in employment relationships with the taxable person or are hired thereby under non-employment relationships, including such expenses of managing directors, members of management or supervisory bodies or the taxable person;

2. the travel and per diem expenses incurred by a sole trader of:

(a) the natural person who owns the enterprise of the natural person, and

(b) the persons who are in employment relationships with the sole trader or are hired thereby under non-employment relationships.

(2) The accounting travel and per diem expenses of any shareholders or partners shall not be recognized for tax purposes where the said shareholders or partners perform the travel and stay in their capacity of shareholders or partners.

Expenses on Repair of Physical-Infrastructure Elements Constituting Public State Property or Public Municipal Property

Article 33a. (New, SG No. 96/2019, effective 1.01.2020) (1) The expenses on the repair of physical-infrastructure elements which, by virtue of a law, constitute public State property or public municipal property and are related to the activity of the taxable person, including in case the physical-infrastructure elements are accessible for use by other entities as well, shall be recognised for tax purposes.

(2) In cases where a reward has been agreed for a repair under Paragraph (1), including where the said reward has been set in whole or in part as goods or services, the standard procedure of the Act shall apply.

Chapter Eight

TEMPORARY TAX DIFFERENCES

Disregarding Income and Expenses from Subsequent Valuations (Revaluations and Impairments)

Article 34. (1) (Supplemented, SG No. 106/2008, effective 1.01.2009) Any income and expenses from subsequent valuations of assets and liabilities shall not be recognized for tax purposes in the year of accounting for the said income and expenses. Any income and expenses from subsequent valuations of claims and any expenses from write-off of claims as uncollectible shall not be recognized for tax purposes in the year of accounting for the said expenses, provided that any of the circumstances covered under Article 37 herein did not occur during the same or during the preceding year.

(2) Paragraph (1) shall not apply in respect of any accounting income and expenses from subsequent valuations of monetary positions in foreign currency at the central exchange rate of the Bulgarian National Bank.

Recognition of Expenses and Income from Subsequent Valuations

(Revaluations and Impairments)

Article 35. (1) Any income and expenses from subsequent valuations unrecognized for tax purposes according to the procedure established by Article 34 herein shall be recognized for tax purposes in the year of write-off of the relevant asset or liability.

(2) Where the value of the stocks of materials of a specific type, written off during the current year, exceeds the value of the stocks of materials of the said type as at the 31st day of December of the preceding year, the unrecognized income referred to in Article 34 herein in respect of the said type of stocks of materials during preceding years shall be recognized for tax purposes during the current year.

(3) Paragraphs (1) and (2) shall not apply in the cases of shrinkage and wastage of assets, which are not recognized for tax purposes according to the procedure established by Article 28 herein.

Income and Expenses from Initial Recognition and Subsequent

Valuation of Biological Assets and Agricultural (Farming) Produce

Article 36. (1) Any excess of the income (profits) from an initial recognition and subsequent valuation of biological assets and agricultural (farming) process over the expenses accounted for in connection with the said assets shall not be recognized for tax purposes in the year of accounting for the said income and expenses. Any excess of the income referred to in sentence one shall be recognized for tax purposes in the year of write-off of the relevant asset.

(2) Any excess of the expenses reported in connection with biological assets and agricultural (farming) process, over the incomes (profits) from an initial recognition and subsequent valuation of said assets shall not be recognized for tax purposes in the year of accounting for the said income and expenses. Any excess of the expenses referred to in sentence one shall be recognized for tax purposes in the year of write-off of the relevant asset.

(3) The provisions of Articles 34 and 35 herein shall not apply to any biological assets and agricultural produce.

Recognition of Income and Expenses from Subsequent Valuations and from Write-Off of Claims

(Heading supplemented, SG No. 106/2008, effective 1.01.2009)

Article 37. (Supplemented, SG No. 106/2008, effective 1.01.2009) (1) (Redesignated from Article 37, amended, SG No. 100/2013, effective 1.01.2014) Any income and expenses from subsequent valuations and from write-off of claims unrecognized according to the procedure established by Article 34 herein shall be recognized for tax purposes at the earliest in the year in which one of the following circumstances occurs:

1. (amended, SG No. 100/2013, effective 1.01.2014) lapse of three years for claims with a three-year prescription period or of five years for claims with a five-year prescription period after the time the claim became exigible;

2. onerous transfer of the claim;

3. the bankruptcy proceedings against the debtor have been closed by a confirmed plan for rehabilitation which provides for incomplete satisfaction of the taxable person; the unrecognized income and expenses shall be recognized for tax purposes solely in respect of the diminution in the claim;

4. an effective judgment of court has decreed that the claim or a part thereof is undue; the unrecognized income and expenses shall be recognized for tax purposes solely in respect of the undue part of the claim;

5. (amended, SG No. 100/2013, effective 1.01.2014) prior to the lapse of the relevant period referred to in Item 1, the claims have been extinguished by virtue of a law;

6. upon expungement of the debtor, where the claim or part thereof has been left unsatisfied: recognition shall be limited to the unsatisfied part.

(2) (New, SG No. 100/2013, effective 1.01.2014) Where the claim is discharged prior to the occurrence of any circumstance covered under Paragraph (1), including but not limited, through payment, collection or offset, any income and expenses from subsequent valuations which are not recognized for tax purposes according to the procedure established by Article 34 herein shall be recognized for tax purposes in the year of the discharge.

Provisions for Debts

Article 38. (1) Any expenses on provisions for debts shall be recognized for tax purposes in the year of accounting for any such expenses.

(2) Any expenses on provisions unrecognized under Paragraph (1) shall be recognized for tax purposes in the year of repayment of the debt for which the provision has been recognized up to the amount of the debt repaid.

(3) (Amended, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be debited with the accounting incomes or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with a recognized provision.

Provisions Not Included in Tax Depreciable Value of Tax Depreciable Asset

Article 39. (1) Upon determination of the tax financial result, the accounting financial result shall be debited with the repaid debts related to any provisions which are not included in the tax depreciable value of a tax depreciable asset according to Article 53 (1) herein. The debiting referred to in sentence one shall be performed in the year of repayment of the debt.

(2) (Amended, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be debited with the accounting income or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with a recognized provision.

Specific Procedure for Recognition of Expenses on Provisions for Debts upon Cessation of Activity

Article 40. (1) Any taxable person, which has applied Article 38 (1) or Article 53 (1) herein and has entirely ceased the core activity thereof in the year of repayment of the debts in respect of which a provision unrecognized for tax purposes has been charged, shall not apply the provisions of Article 38 (2) or Article 39 (1) herein and shall be entitled to an offset or refund of the overremitted corporation tax as arrived at according to the procedure established by Paragraph (2).

(2) The overremitted corporation tax shall be arrived at as a product of the repaid part of the debts, in respect of which a provision unrecognized for tax purposes has been charged, and the rate of corporation tax for the year of repayment of the debts. The repaid part of the debts for the purposes of sentence one may not exceed the sum total of the tax financial results for the ten years last preceding the year of cessation of activity.

Unused Leaves

Article 41. (1) Any expenses on accumulating unused (compensable) leaves at the 31st day of December of the current year, as well as any expenses connected with any such leaves, for compulsory social and health insurance, shall not be recognized for tax purposes in the year of accounting for any such expenses.

(2) Any unrecognized expenses on accumulating unused (compensable) leaves referred to in Paragraph (1) shall be recognized for tax purposes in the year during which compensations for the said leaves was actually paid to the staff, up to the amount of the compensations paid.

(3) Any unrecognized expenses on compulsory social and health insurance referred to in Paragraph (1) shall be recognized for tax purposes in the year during which the relevant social and health insurance contributions were remitted, up to the amount of the insurance contributions remitted.

(4) (Amended, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be debited with the accounting income or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with any debts referred to in Paragraph (1).

(5) (New, SG No. 110/2007) Paragraph (1) shall not apply to any leaves and social and health insurance contributions connected therewith, the accounting for which does not lead to a diminution in the financial result for the year of accounting for the said expenses.

(6) (New, SG No. 110/2007) Any expenses resulting from compensable leaves and social and health insurance contributions connected therewith, leading to a diminution in the financial result, shall not be recognized for tax purposes in a year other than the year of accounting for the said expenses, where the compensations were not paid and the contributions were not remitted at the 31st day of December of the year in which the accounting financial result was debited. In such cases, Paragraphs (2) and (3) shall apply, mutatis mutandis.

(7) (New, SG No. 110/2007) Paragraphs (1) to (6) shall not apply to any compensable leaves and social and health insurance contributions connected therewith which, according to accounting legislation, are capitalized as part of the value of a tax depreciable asset.

Expenses Constituting Income Accruing to Resident Natural Persons

Article 42. (1) Any expenses incurred by taxable persons, constituting income accruing to resident natural persons under the Income Taxes of Natural Persons Act, which are not paid as at the 31st day of December of the current year, shall not be recognized for tax purposes in the year of accounting for any such expenses.

(2) Paragraph (1) shall not apply to any expenses constituting:

1. (amended, SG No. 100/2013, effective 1.01.2014) basic labour remuneration;

2. (new, SG No. 100/2013, effective 1.01.2014) a supplementary labour remuneration fixed as compulsory by a statutory instrument;

3. (new, SG No. 100/2013, effective 1.01.2014) benefits fixed as compulsory by a statutory instrument;

4. (renumbered from Item 2, SG No. 100/2013, effective 1.01.2014) income accruing to sole traders.

(3) The expenses unrecognized under Paragraph (1) shall be recognized for tax purposes in the year during which the income is paid, up to the amount of the income paid.

(4) (Amended, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be debited with the accounting income or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with the debts for any unpaid income referred to in Paragraph (1).

(5) (New, SG No. 110/2007) The expenses on compulsory social and health insurance contributions connected with the unrecognized expenses referred to in Paragraph (1) shall not be recognized for tax purposes in the year of accounting for the said expenses where the compulsory social and health insurance contributions were not remitted at the 31st day of December of the current year.

(6) (New, SG No. 110/2007) The disregarded expenses referred to in Paragraph (5) shall be recognised for tax purposes in the year during which the relevant compulsory social and health insurance contributions were remitted, up to the amount of the contributions remitted. Upon determination of the tax financial result, the accounting financial result shall be debited with the accounting income or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with the debts referred to in Paragraph (5).

(7) (New, SG No. 110/2007) Paragraphs (1) and (5) shall not apply to any income and compulsory social and health insurance contributions connected therewith, the accounting for which does not lead to a diminution in the accounting financial result for the year of accounting for the said expenses.

(8) (New, SG No. 110/2007) Any expenses resulting from income and compulsory social and health insurance contributions referred to in Paragraphs (1) and (5), leading to a diminution in the financial result, shall not be recognized for tax purposes in a year other than the year of accounting for the said expenses, where the income was not paid and the contributions were not remitted at the 31st day of December of the year in which the accounting financial result was debited. In such cases, Paragraphs (3) and (6) shall apply, mutatis mutandis.

(9) (New, SG No. 110/2007) Paragraphs (1) to (8) shall not apply to any income and social and health insurance contributions connected therewith which, according to accounting legislation, are capitalized as part of the value of a tax depreciable asset.

Regulation of Thin Capitalization

Article 43. (1) (Amended, SG No. 98/2018, effective 1.01.2019) Any expenses on interest payments

shall not be recognised for tax purposes in the year of accounting for any such expenses to an amount arrived at for the current year using the following formula:

UEIP = EIP - IIR - 0.75 x AFRBI, where:

UEIP shall be the disregarded expenses on interest payments;

EIP shall be the expenses on interest payments arrived at according to the procedure established by Paragraph (4);

IIR shall be the total amount of income from interest receivable;

FRBI shall be the accounting financial result before all expenses on interest payments and income from interest receivable.

(2) (Amended, SG No. 98/2018, effective 1.01.2019) Any expenses on interest payments, which are not recognised under Paragraph (1), shall be recognised for tax purposes during the ensuing years until the depletion of the said expenses, to an amount arrived at for the current year using the following formula:

REIP = 0.75 x FRBI + IIR - EIP, where:

REIP shall be the recognised expenses on interest payments;

FRBI shall be the accounting financial result before all expenses on interest payments and income from interest receivable;

IIR shall be the total amount of income from interest receivable;

EIP shall be the expenses on interest payments arrived at according to the procedure established by Paragraph (4) for the current year.

(3) (New, SG No. 98/2018, effective 1.01.2019) In case a taxable person applies Article 43a herein for the current year, the expenses on interest payments recognised according to the procedure established by Paragraph (2) shall be limited to the amount of the remainder of the exceeding borrowing costs after the application of Article 43a (5) herein.

(4) (Renumbered from Paragraph (3), SG No. 98/2018, effective 1.01.2019) The expenses on interest payments shall include all financial (interest) income, accounted for under financing by means of debt capital. The expenses on interest payments shall not include:

1. (supplemented, SG No. 96/2019, effective 1.01.2020) any interest payments on finance leases and bank loans, except where the parties to the transaction are related parties or the lease or the loan, as the case may be, is guaranteed or secured by or is extended on the order of a related party; in case the lease/loan is guaranteed or secured simultaneously by the lessee/borrower and by a related party, the expenses on interest payments shall exclude the portion of the expenses on interest payments under the financial lease/bank loan, which shall be arrived at by multiplying the total amount of the expenses on interest payments on the lease/loan by the ratio between the market price of the collateral posted by the lessee/borrower, determined at the date on which the collateral was posted, and the amount of the lease/loan, and where the said ratio is greater than 1, the said ratio shall be deemed to be equal to 1; upon any change in the extent of the collateral security or in the amount of the lease/loan, the foregoing sentence shall apply, respectively, as from the time of the change;

2. any penalty charges for late payments and damages;

3. any interest unrecognised for tax purposes on other grounds in this Act;

4. (new, SG No. 110/2007) any interest and other expenses on loans which, according to accounting legislation, are capitalised as part of the value of an asset.

(5) (Repealed, renumbered from Paragraph (4), SG No. 98/2018, effective 1.01.2019) Where the accounting financial result before all expenses on interest payments and income from interest receivable is a negative quantity, the said result shall be ignored upon determination of the amount of expenses on interest payments unrecognized and recognized under Paragraphs (1) and (2).

(6) Paragraph (1) shall not apply where:

$$\frac{DC_1 + DC_2}{2} \leq 3 \times \frac{OE_1 + OE_2}{2}$$ f0

DC_1 shall be the debt capital as at the 1st day of January of the current year;

DC_2 shall be the debt capital as at the 31st day of December of the current year;

OE_1 shall be the owners' equity as at the 1st day of January of the current year;

OE_2 shall be the owners' equity as at the 31st day of December of the current year.

(7) The expenses on interest payments incurred by credit institutions shall not be regulated according to the procedure established by Paragraphs (1) to (6).

Interest Deduction Limitation Rule

Article 43a. (New, SG No. 98/2018, effective 1.01.2019) (1) Exceeding borrowing costs shall not be recognised for tax purposes for the current year to an amount arrived at using the following formula:

UEBC = EBC - 0.30 x TFRBITDA, where:

UEBC shall be the unrecognised exceeding borrowing costs;

EBC shall be the exceeding borrowing costs as arrived at according to the procedure established by Paragraph (2);

TFRBITDA shall be the tax financial result before interest, tax, depreciation and amortisation, arrived at according to the procedure established by Paragraph (3).

(2) Exceeding borrowing costs shall be the amount by which the total amount of the borrowing costs, specified in Paragraph (4), exceeds the total amount of the interest recognised for tax purposes, constituting income recognised for tax purposes and/or amounts which lead to an increase of the tax financial result, as well as other income and/or amounts economically equivalent to interest.

(3) The tax financial result before interest, tax, depreciation and amortisation for the current year shall be arrived at using the following formula:

TFRBITDA = TFR + ATD - RI + BC, where:

TFR shall be the tax financial result formed according to the standard procedure established by this Act, after deduction of tax losses and before the application of Article 43 herein and this Article;

TFR shall be the total amount of annual tax depreciations;

RI shall be the total amount of interest recognised for tax purposes, constituting income and/or amounts which lead to an increase of the tax financial result, as well as other income and/or amounts economically equivalent to interest;

BC shall be the total amount of borrowing costs specified in Paragraph (4) before the application of Article 43 herein and this Article.

(4) Borrowing costs, for the purposes of this Article, shall be the expenses and/or amounts which lead to a decrease of the tax financial result, recognised for tax purposes, which:

1. shall include all interest expenses on all forms of debt, other costs and amounts economically equivalent to interest, as well as other expenses and amounts incurred in connection with the raising of finance including, without being limited to:

(a) payments under profit participating loans;

(b) imputed interest on instruments such as convertible bonds and zero coupon bonds;

(c) amounts under alternative financing arrangements;

(d) finance lease interest payments;

(e) capitalised interest included in the value of a non-depreciable asset for tax purposes, upon disposition of the said asset, the amortisation of capitalised interest for a tax depreciable asset or the interest included in the tax value of a tax depreciable asset, upon the disposition of the said asset;

(f) amounts measured by reference to a funding return under transfer pricing rules where applicable;

(g) notional interest amounts under derivative instruments or hedging arrangements related to the borrowing of funds;

(h) foreign exchange gains and losses on borrowings and instruments connected with the raising of finance;

(i) guarantee fees for financing arrangements;

(j) arrangement fees and similar costs related to the borrowing of funds;

2. shall not include any expenses and amounts of default interest for late payments and penalties which are not related to the borrowing of funds.

(5) Any exceeding borrowing costs, unrecognised under Paragraph (1), shall be recognised for tax purposes during the ensuing years until the depletion of the said costs, to an amount arrived at for the current year using the following formula:

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

UEBC shall be the recognised exceeding borrowing costs;

TFRBITDA shall be the tax financial result before interest, tax, depreciation and amortisation, arrived at for the current year according to the procedure established by Paragraph (3);

RI shall be the total amount of interest recognised for tax purposes, constituting income and/or amounts which lead to an increase of the tax financial result, as well as other income and/or amounts economically equivalent to interest;

BC shall be the total amount of borrowing costs specified in Paragraph (4) before the application of Article 43 herein and this Article.

(6) Where the tax financial result before interest, tax, depreciation and amortisation is a negative quantity, the said result shall be excluded upon determination of the amount of the unrecognised and recognised exceeding borrowing costs under Paragraphs (1) and (5).

(7) Paragraph (1) shall not apply where the exceeding borrowing costs, as determined for the current year, does not exceed the lev equivalent of EUR 3,000,000, determined according to the official exchange rate of the lev against the euro.

(8) In the cases where the exceeding borrowing costs, as determined for the current year, exceed the threshold referred to in Paragraph (7) and Article 43 herein has not been applied, the exceeding borrowing costs to an amount equal to the exceeding borrowing costs for the current year debited with 30 per cent of the tax financial result before interest, tax, depreciation and amortisation shall not be recognised for tax purposes.

(9) In the cases where the exceeding borrowing costs, as determined for the current year, exceed the threshold referred to in Paragraph (7) and:

1. the disregarded exceeding borrowing costs under Paragraph (1) are higher than the disregarded expenses on interest payments under Article 43 (1) herein, the disregarded exceeding borrowing costs under Paragraph (1) shall not be recognised for tax purposes; in this case, Article 43 (1) herein shall not apply;

2. the disregarded exceeding borrowing costs under Paragraph (1) are lower than the disregarded expenses on interest payments under Article 43 (1) herein, the disregarded exceeding borrowing costs under Paragraph (1) and the difference between the disregarded interest expenses under Article 43 (1)

herein and the disregarded exceeding borrowing costs under Paragraph (1) shall not be recognised for tax purposes.

(10) The borrowing costs incurred by credit institutions shall not be regulated according to the procedure established by Paragraphs (1) to (9).

Chapter Nine

AMOUNTS INVOLVED UPON DETERMINATION OF TAX FINANCIAL RESULT

Financial Instruments Admitted to Trading on a Regulated Market

Article 44. (Amended, SG No. 106/2008, effective 1.01.2009) (1) Upon determination of the tax financial result, the accounting financial result shall be debited with any profit from disposition of financial instruments within the meaning given by Item 21 of § 1 of the Supplementary Provisions herein, determined as a positive difference between the selling price and the documented cost of acquisition of the said financial instruments. Sentence one shall not apply to any profits from a source outside Bulgaria, in respect of which the method of avoidance of double taxation is exemption with progression, provided for in a convention for the avoidance of double taxation.

(2) Upon determination of the tax financial result, the accounting financial result shall be credited with any loss from disposition of financial instruments within the meaning given by Item 21 of § 1 of the Supplementary Provisions herein, determined as a negative difference between the selling price and the documented cost of acquisition of the said financial instruments.

Subsequent Valuations Reserve in Respect of Assets which Are Not Tax Depreciable Assets

Article 45. (Supplemented, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be credited with the value of the revaluation reserve (subsequent valuations reserve) written off upon the write-off of any assets which are not tax depreciable assets, where an accounting income or expense has not been accounted for upon the write-off of the said reserve. The said crediting shall be effected in the year of write-off of the asset. Where any land is transformed into investment property, the said crediting shall be effected in the year of write-off of the investment property.

Tax Treatment of Debts

Article 46. (1) (Amended, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be credited with the amount of the debts of the taxable person, and the said crediting shall be effected in the year in which one of the following circumstances occurs:

1. (amended, SG No. 100/2013, effective 1.01.2014) lapse of three years for debts with a three-year prescription period or of five years for debts with a five-year prescription period after the time the debt became exigible;

2. the bankruptcy proceedings against the taxable person have been closed by a confirmed plan for rehabilitation which provides for incomplete satisfaction of the creditors; the crediting shall be effected by the amount of the diminution in the debt;

3. an effective judgement of court has decreed that the debt or part thereof is undue;

4. the creditor has relinquished the claim thereof by a judicial procedure or has redeemed the said claim; the crediting shall be effected by the amount redeemed;

5. (amended, SG No. 100/2013, effective 1.01.2014) before the lapse of the relevant period referred to in Item 1, the debts have been extinguished by virtue of a law;

6. the taxable person has submitted a motion for expungement.

(2) (Amended, SG No. 110/2007) Paragraph (1) shall not apply, where the debt was extinguished or accounting income were accounted for as a result of a write-off of the debt in the year of occurrence of a circumstance under Paragraph (1).

(3) (New, SG No. 110/2007) Where Paragraph (1) was applied during a preceding year, upon determination of the tax financial result for the current year, the accounting financial result shall be debited with:

1. the amount of the debt extinguished during the year;

2. the accounting income accounted for during the current year as a result of a write-off of the debt.

(4) (New, SG No. 110/2007) The debiting under Paragraph (3) shall be up to the amount of the crediting under Paragraph (1) during the preceding years in respect of the respective debt.

Tax Treatment of Credit for Input Tax Deducted in Respect of Assets Available or upon Registration or Re-registration under Value Added Tax Act

Article 47. (1) (Supplemented, SG No. 110/2007) Upon determination of the tax financial result, the accounting financial result shall be credited with the amount of the credit for input tax deducted by the taxable person in respect of the assets available as at the date of registration or re-registration under the Value Added Tax Act, where accounting income is not accounted for in connection with the credit for input tax deducted.

(2) (Repealed, SG No. 110/2007).

(3) (Amended, SG No. 110/2007) Paragraph (1) shall not apply where:

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

2. the asset is not a tax depreciable asset and the said asset was written off in the year of registration or re-registration under the Value Added Tax Act.

(4) (New, SG No. 110/2007) In case of a write-off of an asset which is not a tax depreciable asset and whereto Paragraph (1) was not applied in a preceding year, upon determination of the tax financial result for the current year, the accounting financial result shall be debited with the amount of the credit for input tax deducted for the respective asset wherewith the accounting financial result has been credited according to the procedure established by Paragraph (1).

Tax Treatment upon Distribution of Dividends from Investments Accounted for According to Equity Method

Article 47a. (New, SG No. 95/2009, effective 1.01.2009) (1) Upon determination of the tax financial result of any shareholders or partners, the accounting financial result thereof shall be debited with the dividends distributed by resident legal persons or by non-resident persons which are resident for tax purposes in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area, where the investment is accounted for according to the equity method.

(2) In respect of any financial institutions, the debiting referred to in Paragraph (1) shall be by the dividends distributed during the year. The debiting shall be performed in the year of recognition of the dividends as distributed in the annual financial statement of the financial institution.

(3) In respect of any taxable persons which are not financial institutions, the debiting referred to in Paragraph (1) shall be by the dividends distributed for the period commencing with the acquisition and ending with the write-off of the investment. The dividend shall be performed in the year of write-off of the investment.

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

1. any dividends distributed from profits which are realized prior to the acquisition of the investment;

2. any dividends distributed by licensed special purpose investment companies under the Special Purpose Investment Companies Act;

3. any dividends constituting hidden profit distribution;

4. (new, SG No. 95/2015, effective 1.01.2016) to any dividends resulting from amounts distributed, to the extent that such amounts are expenditures recognised for tax purposes and/or lead to a diminution in the tax financial result of the distributing person regardless of the manner of accounting for the said amounts at the said person.

Transfer of Permanent Establishment

Article 47b. (New, SG No. 95/2009, effective 1.01.2010) (1) Upon determination of the tax financial result of a permanent establishment, the accounting financial result thereof shall be credited with the profit and shall be debited with the loss from transfer of the permanent establishment. The temporary tax differences associated with the assets and liabilities of the permanent establishment shall be recognized for tax purposes in the year of transfer of the permanent establishment according to the standard procedure established by this Act. Upon determination of the tax financial result of the permanent establishment, Article 66 (1) and (2) herein shall apply.

(2) For the purposes of Paragraph (1), the profit and loss shall be determined as a difference between the selling price of the permanent establishment and the accounting value of the assets debited with the accounting value of the liabilities of the permanent establishment at the date of the transfer.

(3) Paragraphs (1) and (2) shall not apply where the profit and loss from transfer of the permanent establishment was involved upon formation of the accounting financial result of the permanent establishment.

Chapter Nine "a"

(New, SG No. 98/2018, effective 1.01.2019)
SPECIFIC RULES FOR DETERMINATION OF TAX FINANCIAL RESULTS IN CASES OF CONTROLLED FOREIGN COMPANY

Controlled Foreign Company

Article 47c. (New, SG No. 98/2018, effective 1.01.2019) (1) "Controlled foreign company" shall be a foreign entity or a permanent establishment of which the profits are not subject to tax or are exempt from tax in the Republic of Bulgaria where the following conditions are met:

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

2. (supplemented, SG No. 96/2019, effective 1.01.2020) the actual corporate tax paid by the entity or permanent establishment on its profits, including by means of tax prepayments or overremitted corporate tax, is lower than the difference between the corporate tax that would have been charged on the entity or permanent establishment according to the procedure established by this Act and the actual corporate tax paid on its profits by the entity or permanent establishment.

(2) The extent of the indirect participation, referred to in Item 1 of Paragraph (1), which the taxable person holds in a foreign entity, shall be arrived at as a sum total of the participations which each of the associated enterprises of the said person holds directly in the foreign entity.

(3) The permanent establishment of a controlled foreign company, which is not subject to tax or is exempt from tax in the State in which the controlled foreign company is resident for tax purposes, shall be ignored for the purposes of Item 2 of Paragraph (1).

(4) (Amended, SG No. 64/2019, effective 13.08.2019) Paragraph 1 shall not apply to:

1. (supplemented, SG No. 96/2019, effective 1.01.2020) any taxable person which is liable to tax for all or part of the activities thereof according to the procedure established by Part Five of this Act;

2. (amended, SG No. 96/2019, effective 1.01.2020) any controlled foreign company which is:

(a) a foreign entity and is subject to alternative forms of taxation for the activities thereof in the country where the said entity is resident for tax purposes or in another country;

(b) a permanent establishment abroad, which is subject to alternative forms of taxation for the activities thereof.

Tax Financial Result in Cases of Controlled Foreign Company

Article 47d. (New, SG No. 98/2018, effective 1.01.2019) (1) The taxable person shall credit the tax financial result thereof for the current year with the tax profit for the same tax period for a foreign entity which is not distributed, or with the profit accruing from a permanent establishment abroad for the same tax period.

(2) The tax profit referred to in Paragraph (1):

1. shall be arrived at according to the procedure established by this Act;

2. shall be added to the tax financial result for the tax period of the taxable person during which the tax period of the foreign entity ends, in case the tax periods are different;

3. shall be added to the tax financial result in proportion to the largest participation in the voting rights, in the capital or in the profits of the foreign entity, as well as in proportion to the part of the relevant tax period of the foreign entity during which the conditions that the foreign entity should be a controlled foreign company were met.

(3) (Amended and supplemented, SG No. 64/2019, effective 13.08.2019, amended, SG No. 102/2019, effective 1.01.2020) When the tax profit is determined in accordance with Item 1 of Paragraph (2), a tax loss determined in accordance with the procedure set out in this Act in preceding tax periods:

1. shall be deducted successively over the next succeeding five years until depletion, subject to compliance with the requirements set out in Chapter Eleven, only from the tax profits of the same controlled foreign company or from the tax loss of another controlled foreign company in the same foreign State from which the said loss arose;

2. shall not be deducted from the tax profits of the taxable person having their source in the country or in other States.

(4) Where a foreign entity distributes profit which is subject to tax at the taxable person, the tax financial result of the said person shall be debited with the profit wherewith the tax financial result of the taxable person for a prior year was credited on the grounds of Paragraph (1). The debiting shall be up to the amount of distributed profit but not more than amount of the profit wherewith the tax financial result of the taxable person for a prior year was credited on the grounds of Paragraph (1).

(5) Where any income subject to tax accrues to a taxable person from disposition of the participation of the said person in a foreign entity or from economic activity carried out through a permanent establishment abroad, the tax financial result of the taxable person for the current year shall be debited with the amount of the profit from the foreign entity wherewith the tax financial result of the taxable person for a prior year was credited on the grounds of Paragraph (1) and whereto Paragraph (4) has been applied, up to the amount of the income from the disposition.

(6) The taxable person shall be allowed tax credit in respect of the tax paid by a controlled foreign company abroad with regard to profits which, on the grounds of Paragraph (1), are included in the tax financial result of the taxable person. The tax credit shall be determined according to the procedure established by Article 14 (4) herein.

(7) (Supplemented, SG No. 64/2019, effective 13.08.2019) Paragraph (1) shall not apply where a

controlled foreign company carries on a substantive economic activity supported by staff, equipment, assets and/or premises necessary for the activity concerned, as evidenced by the taxable person by relevant facts and circumstances.

(8) Upon determination of the tax financial result of a controlled foreign company according to the procedure established by this Act, the accounting financial result of a controlled foreign company shall be arrived at under the accounting standards applicable by the taxable person.

Register of Controlled Foreign Companies

Article 47e. (New, SG No. 98/2018, effective 1.01.2019) (1) The taxable person shall keep a register of the controlled foreign companies, which shall at least contain data on:

1. the extent of the participations referred to in Item 1 of Article 47c (1) herein, including any change in the said participations within the tax period;

2. the amount of the profit of a foreign entity which is not distributed, respectively, the profit of a permanent establishment, arrived at according to the procedure established by this Act and wherewith the tax financial result of the taxable person was credited for each tax period on the grounds of Article 47d (1) herein;

3. the amount of the loss, arrived at according to the procedure established by this Act for the current year and prior years in connection with the application of Article 47d (3) herein;

4. the amount of the tax financial result for the tax period concerned, arrived at according to the procedure established by this Act, as well as the amount of the actual corporate tax paid on its profit by a controlled foreign company in the State where the controlled foreign company is resident for tax purposes;

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

6. other information necessary for determining the tax financial result of the taxable person, in cases of a controlled foreign company.

(2) The taxable person shall present the register referred to in Paragraph (1) upon request by the revenue authorities of the National Revenue Agency.

Chapter Nine "b"

(New, SG No. 96/2019, effective 1.01.2020)
SPECIFIC RULES UPON DETERMINATION OF TAX FINANCIAL

RESULT IN CASES OF HYBRID MISMATCHES AND OF MISMATCHES WITH TAXABLE PERSON WHICH HAS MULTIPLE TAX RESIDENCES

Hybrid Mismatches

Article 47f. (New, SG No. 96/2019, effective 1.01.2020) (1) There shall be a hybrid mismatch in the cases where:

1. a payment under a financial instrument gives rise to a deduction without inclusion outcome and:

(a) such payment is not included in the tax financial result of the payee within the tax period thereof that commences within 12 months of the end of the tax period of the payer, and

(b) the mismatch outcome is attributable to differences in the characterisation of the instrument or the payment made under the said instrument according to the legislations of the payer and the payee jurisdictions.

2. a payment to a hybrid entity gives rise to a deduction without inclusion and that mismatch outcome is the result of differences in the determination of the payee between the legislation of the jurisdiction where the hybrid entity is formed or registered and the jurisdiction of any person with a participation in that hybrid entity;

3. a payment to an entity with one or more permanent establishments gives rise to a deduction without inclusion and that mismatch outcome is the result of differences in the legislations of the jurisdictions where that entity operates in the determination of the payee between the head office of the entity and the permanent establishment or between two or more permanent establishments of the same entity;

4. a payment to a disregarded permanent establishment gives rise to a deduction without inclusion;

5. a payment by a hybrid entity gives rise to a deduction without inclusion as a result of the fact that the payment is disregarded according to the legislation of the payee jurisdiction;

6. a deemed payment between the head office of an entity and a permanent establishment thereof or between two or more permanent establishments of the same entity gives rise to a deduction without inclusion as a result of the fact that the payment is disregarded according to the legislation of the payee jurisdiction;

7. gives rise to a double deduction outcome.

(2) A payment representing the underlying return on a transferred financial instrument shall not give rise to a hybrid mismatch under Item 1 of Paragraph (1) where any such payment is made by a financial trader under an on-market hybrid transfer and, according to the legislation of the payer jurisdiction, the financial trader includes all amounts received in relation to the transferred financial instrument in the tax financial result thereof.

(3) There shall be a hybrid mismatch according to Items 5 to 7 of Paragraph (1) to the extent that the legislation of the payer jurisdiction allows the deduction to be set off against an income that is not dual-inclusion income.

(4) A mismatch shall be treated as a hybrid mismatch solely where it arises between a taxable person and an associated enterprise thereof, between other associated enterprises, between the head office of an entity and a permanent establishment thereof, between two or more permanent establishments of the same entity, or under a structured arrangement.

Disregarded Accounting Expenses and Amounts Related to Payments in Hybrid Mismatches

Article 47g. (New, SG No. 96/2019, effective 1.01.2020) The accounting expenses shall be disregarded, and the accounting financial result shall be credited with the amounts upon determination of the tax financial result, to the extent that the accounting expenses and the amounts related to payments in hybrid mismatches:

1. result in a double deduction, except in the cases of dual-inclusion income in a current or subsequent tax period, where the taxable person is:

(a) an investor:

(b) a payer and the deduction is not denied in the investor jurisdiction;

2. result in a deduction without inclusion, where the taxable person is a payer;

3. directly or indirectly fund deductible expenditure giving rise to a hybrid mismatch as a result of a transaction or series of transactions between associated enterprises or entered into as part of a structured arrangement except where, according to the legislation of any of the jurisdictions involved in the transaction or series of transactions, an equivalent adjustment has been made, but only up to the amount of the adjustment.

Accounting Income and Amounts Leading to Increase of Tax Financial Result Related to Payments in Hybrid Mismatches

Article 47h. (New, SG No. 96/2019, effective 1.01.2020) (1) Where a taxable person is a payee in a hybrid mismatch giving rise to a deduction without inclusion, the amount of the payment shall be recognised for tax purposes either as accounting income which is recognised for tax purposes or as an amount wherewith the accounting financial result is credited upon determination of the tax financial

result, to the extent that the said payment is deducted in the payer jurisdiction.

(2) Paragraph (1) shall not apply in the cases of Items 2 to 4 and 6 of Article 47f (1) herein.

(3) To the extent that a hybrid mismatch involves any disregarded permanent establishment income which is not subject to tax in the country, the accounting financial result of the taxable person shall be credited with the amount of the income which is attributed to the disregarded permanent establishment upon determination of the tax financial result. Sentence one shall apply in case the income is not exempt from tax under a convention for the avoidance of double taxation with a third country.

Tax Credit for Tax Withheld at Source on Payment Related to Hybrid Transfer

Article 47i. (New, SG No. 96/2019, effective 1.01.2020) A taxable person shall be allowed, in proportion to the net taxable income regarding the payment, tax credit for tax withheld at source on a payment related to a hybrid transfer whereupon more than one of the parties to the transfer are allowed tax credit for the same tax.

Mismatches with Taxable Person which Has Multiple Tax Residences

Article 47j. (New, SG No. 96/2019, effective 1.01.2020) (1) To the extent that amounts related to payment, expenses or losses of a taxable person which is resident for tax purposes in another jurisdiction as well lead to a decrease of the tax financial result in that other jurisdiction as well, any such amounts shall be disregarded, to the extent that the legislation of the other jurisdiction allows the deduction of any such amounts to be set off against income that is not dual-inclusion income.

(2) In the cases under Paragraph (1), where the other jurisdiction is a Member State of the European Union, the amounts of the payment, expenses or losses shall be disregarded in case the taxable person is resident for tax purposes in that other Member State under a convention for the avoidance of double taxation.

Chapter Ten
TAX DEPRECIABLE ASSETS

Tax Depreciable Assets

Article 48. Tax depreciable assets shall comprehend:

1. the tax tangible fixed assets;

2. the tax intangible fixed assets;

3. the investment properties, with the exception of land;

4. the subsequent expenses referred to in Article 64 herein;

5. (new, SG No. 96/2019, effective 1.01.2020) the expenses on the construction or improvement of physical-infrastructure elements which, by virtue of a law, constitute public State property or public municipal property under Article 69a (3) herein.

Goodwill

Article 49. (1) Goodwill generated as a result of a business combination shall not be a tax depreciable asset.

(2) Any loss from impairment and upon write-off of goodwill shall not be recognized for tax purposes.

Tax Tangible Fixed Assets

Article 50. (1) (Amended, SG No. 97/2016, effective 1.01.2017, redesignated from Article 50, SG No. 98/2018, effective 1.01.2019) "Tax tangible fixed assets" shall be the amounts which satisfy the requirements for depreciable tangible fixed assets according to the National Accounting Standards whose value equals or exceeds the lesser of:

1. the value materiality threshold for the tangible fixed asset, as adopted in the accounting policies of the taxable person;

2. (amended, SG No. 110/2007) seven hundred leva.

(2) (New, SG No. 98/2018, effective 1.01.2019) Any right-of-use depreciable assets arising from finance lease contracts, which are recognised at lessees according to the International Accounting Standards, shall likewise be tax tangible fixed assets.

Tax Intangible Fixed Assets

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

1. any acquired non-financial resources which:

(a) have no physical substance;

(b) are used during a period longer than twelve months;

(c) have a limited useful life;

(d) are of a value which equals or exceeds the lesser of:

(aa) the value materiality thresholds for the tangible fixed asset, as adopted in the accounting policies of the taxable person;

(bb) (amended, SG No. 110/2007) seven hundred leva;

2. (repealed, SG No. 110/2007);

3. any amounts charged as a result of business transactions leading to an increase in the economic benefits flowing from a tax tangible fixed asset which is hired or provided for use; the said amounts shall not form a tax tangible fixed asset.

(2) Any accounting expenses, accounted for in connection with the acquisition of a tax tangible fixed asset before the origination of the said asset, shall not be recognized for tax purposes in the year of accounting for the said expenses and shall be involved upon determination of the tax depreciable value of the said asset. Where any circumstances determining that the taxable person will not acquire the tax

intangible fixed asset occur in a succeeding year, the unrecognized expenses referred to in sentence one shall be recognized for tax purposes in the year of occurrence of any such circumstances, if the requirements of this Act are complied with.

Tax Depreciation Schedule

Article 52. (1) Any taxable persons which form a tax financial result shall prepare and keep a tax depreciation schedule, posting therein all tax depreciable assets.

(2) The tax depreciation schedule shall be a tax ledger wherein the information, specified according to the requirements of this Act, regarding the process of acquisition, subsequent keeping, depreciation and write-off of the tax depreciable assets, shall be posted.

(3) The tax depreciation schedule shall contain, as a minimum, the following information on each tax depreciable asset:

1. designation;

2. month of commissioning;

3. tax depreciable value;

4. tax depreciation charged;

5. tax value;

6. annual rate of tax depreciation;

7. annual tax depreciation;

8. month of occurrence of any changes in the values of the asset and the circumstances necessitating the said changes;

9. month of discontinuance and resumption of the charging of tax depreciations and the circumstances which necessitate the said discontinuance and resumption;

10. month of write-off of the asset covered under Article 60 (3) herein for accounting purposes and the circumstances which necessitate the said write-off;

11. month of write-off of the asset in the tax depreciation schedule.

Values of Tax Depreciable Assets

Article 53. (1) (Amended, SG No. 96/2019, effective 1.01.2020) "Tax depreciable value" shall be the historical cost of the asset debited with the charged provisions and donations associated with the asset which are included in the said cost. In the cases referred to in Article 64 (1), Article 67 and Article 69a (3) herein, the tax depreciable value shall be the sum total of:

1. the subsequent expenses: in the cases referred to in Article 64 (1) herein;

2. the disregarded expenses: in the cases referred to in Article 67 and Article 69a (3) herein.

(2) The "annual tax depreciation" shall be the depreciation charged in the tax depreciation schedule for the relevant year according to the requirements of this Chapter.

(3) The "tax depreciation charged" shall be the sum total of the annual tax depreciations for the relevant asset. The tax depreciation charged may not exceed the tax depreciable value of the asset.

(4) The "tax value" shall be the tax depreciable value of the asset debited with the tax depreciation charged for the said asset.

Tax and Accounting Depreciations

Article 54. (1) The tax depreciations, determined according to the procedure established by this Chapter, shall be recognized upon determination of the tax financial result.

(2) (Supplemented, SG No. 110/2007) The accounting expenses on depreciation shall not be recognized for tax purposes. Upon determination of the tax financial result, the accounting financial result shall be credited with the accounting depreciations, regardless of whether the accounting for the said depreciations leads to a diminution in the accounting financial result for the year of accounting for the said depreciations.

Tax Depreciable Asset Categories

Article 55. (1) Upon determination of the annual tax depreciations, tax depreciable assets shall be allocated to the following categories:

1. Category I: solid buildings, including investment properties, plant, transmission facilities, electric power carriers, communication lines;

2. Category II: machinery, process equipment, apparatus;

3. Category III: means of transport excluding automobiles; surfacing of roads and of runways;

4. (Supplemented, SG No. 110/2007) Category IV: computers, computer peripheral equipment, software, and right to use software, mobile telephones;

5. Category V: automobiles;

6. Category VI: tax tangible and intangible fixed assets whereof the period of use is restricted according to contractual relationships or a legal obligation;

7. Category VII: all other depreciable assets.

(2) The annual rate of tax depreciation shall be determined on a single occasion for the year and may not exceed the following amounts:

Asset category	Annual rate of tax depreciation (%)
I	4
II	30
III	10
IV	50
V	25
VI	100/years of legal restriction The annual rate may not exceed 33 1/3
VII	15

(3) In respect of Category II assets, the annual rate of tax depreciation may not exceed 50 per cent, where the following conditions are simultaneously fulfilled:

1. the assets form part of an initial investment;

2. the assets are new as fabricated and have not been exploited prior to the acquisition thereof.

(4) (Repealed, SG No. 110/2007).

(5) (New, SG No. 110/2007) The acquisition of an asset through conclusion of a lease contract, classified as financial lease according to accounting legislation, shall be no grounds for allocation of the said asset to Category VI.

(6) (New, SG No. 106/2008, effective 1.01.2009, amended, SG No. 35/2015, effective 15.05.2015) Item 1 of Paragraph (3) shall not apply where the assets covered under Paragraph (3) have been acquired in connection with an investment made in improvement of energy efficiency where voluntary agreements have been concluded according to the procedure established by Section II of Chapter Five of the Energy Efficiency Act as repealed (promulgated in the State Gazette No. 98 of 2008; amended in Nos. 6, 19, 42 and 82 of 2009, Nos. 15, 52 and 97 of 2010, No. 35 of 2011, No. 38 of 2012, Nos. 15, 24, 59 and 66 of 2013, Nos. 22, 33 and 98 of 2014 and No. 14 of 2015).

Standard Procedure for Posting of Assets in Tax Depreciation Schedule

Article 56. Tax depreciable assets shall be posted in the tax depreciation schedule at the tax depreciable value thereof.

Specific Procedure for Posting of Assets in Tax Depreciation Schedule

Article 57. (1) Any person, in respect of which the tax treatment changes as a result of which an obligation to form a tax financial result arises for the said person, shall prepare a tax depreciation schedule wherein the tax depreciable assets available at that time shall be posted at tax depreciable value and tax depreciation charged determined according to the procedure established by Paragraphs (2) and (3).

(2) The tax depreciable value of any asset referred to in Paragraph (1) shall be determined by means of:

1. crediting the historical cost of the said asset with the subsequent expenses incurred theretofore which, according to accounting legislation, lead to future economic benefits derived from the said asset;

2. debiting the historical cost of the said asset with the charged provisions and donations associated with the said asset which are included in the said cost.

(3) The tax depreciation charged for any asset referred to in Paragraph (1) shall be the accounting depreciation which would be charged theretofore on the historical cost of the said asset, adjusted according to the procedure established by Paragraph (2).

(4) Any assets for which the tax depreciation charged equals or exceeds the tax depreciable value thereof shall not be posted upon preparation of the tax depreciation schedule.

(5) Paragraphs (1) to (4) shall furthermore apply in the cases of re-posting of an asset in the tax depreciation schedule.

Charging of Tax Depreciations

Article 58. (1) (Supplemented, SG No. 110/2007) Tax depreciation shall commence to be charged as from the beginning of the month in which the tax depreciable asset is commissioned or as from the beginning of the next succeeding month. The date of commissioning must be supported by documents.

(2) Where a procedure for commissioning is provided for in a statutory instrument, the asset may not be commissioned for tax purposes earlier than what is established in the statutory instrument.

(3) The annual tax depreciation shall be arrived at according to the following formula:

$$ATD = TDV \times ARTD \times \frac{M}{12}$$ f0

where:

ATD shall be the annual tax depreciation;

TDV shall be the tax depreciable value;

ARTD shall be the annual rate of tax depreciation, determined by the taxable person according to Article 55 (2) and (3) herein;

M shall be the number of months of the year during which tax depreciation is charged.

Discontinuance of Charging of Tax Depreciations

Article 59. (Amended, SG No. 110/2007, effective 1.01.2007) (1) Charging of tax depreciations shall be discontinued when the relevant asset is temporarily withdrawn from use (no economic benefit is derived therefrom) for a period not exceeding twelve months. Charging shall be discontinued as from the beginning of the month next succeeding the month during which the period referred to in sentence one elapsed and shall be resumed as from the beginning of the month of re-commissioning of the said asset. The tax depreciable asset shall not be written off in the tax depreciation schedule.

(2) Upon determination of the tax financial result for the year during which the twelve-month period referred to in Paragraph (1) elapsed, the annual tax depreciation of the taxable person shall be debited with the amount of the tax depreciation charged for the asset during the twelve months during which the asset was withdrawn from use. The values of the tax depreciable asset at the date of discontinuance of the charging of tax depreciation shall be adjusted for the amount of the debiting under sentence one as follows:

1. the tax depreciation charged for the asset shall be debited;

2. the tax value of the asset shall be credited.

(3) Any taxable person whereagainst liquidation or bankruptcy proceedings are pending shall discontinue the charging of tax depreciations for those assets for which the charging of accounting depreciations is discontinued according to the requirements of accounting legislation. At the date of discontinuance of the charging of tax depreciations, Article 60 (5) herein shall apply, mutatis mutandis.

(4) The charging of tax depreciations in respect of any assets covered under Article 60 (3) herein shall not be discontinued.

Write-off of Assets in Tax Depreciation Schedule

Article 60. (1) An asset shall be written off in the tax depreciation schedule where the said asset is completely depreciated for tax purposes.

(2) Where an asset is written off for accounting purposes before being fully depreciated for tax purposes, the said asset shall be written off in the tax depreciation schedule at the beginning of the month during which the said asset is written off for accounting purposes.

(3) Paragraph (2) shall not apply upon the write-off of any assets:

1. (amended, SG No. 110/2007) which are completely depreciated for accounting purposes;

2. as a result of an increase in the value materiality threshold.

(4) Any assets referred to in Paragraph (3) shall be written off in the tax depreciation schedule according to the procedure established by Paragraph (1).

(5) (Supplemented, SG No. 110/2007, amended, SG No. 97/2016, effective 1.01.2017) Where any depreciable asset according to the National Accounting Standards is transformed into a non-depreciable asset, with the exception of transformation into an investment property, the said asset shall be written off in the tax depreciation schedule as from the beginning of the current month. Sentence one shall not apply to any assets which are completely depreciated for accounting purposes and which are temporarily withdrawn from use (no economic benefit is derived therefrom).

(6) Where a tax depreciable asset ceases to be used for an activity in respect of which a tax financial result is formed, the said asset shall be written off in the tax depreciation schedule as from the beginning of the current month.

Retention of Values of Tax Depreciable Asset

Article 61. (1) (Redesignated from Article 61, SG No. 98/2018, effective 1.01.2019) The values of the tax depreciable asset shall not change upon:

1. any subsequent accounting valuation (revaluation and impairment);

2. any change in accounting policies, including any change in the applicable accounting standards;

3. (repealed, SG No. 94/2010, effective 1.01.2011);

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

(2) (New, SG No. 98/2018, effective 1.01.2019) The restriction referred to in Item 1 of Paragraph (1) shall not apply upon a subsequent valuation of tax tangible fixed assets under Article 50 (2) herein, which is due to a revaluation of the liability under a finance lease contract.

Change in Tax Depreciable Asset Values

Article 62. (1) (Supplemented, SG No. 94/2010, effective 1.01.2011) A change in the values of the tax depreciable asset shall be effected upon occurrence of any circumstances necessitating such a change according to this Act or accounting legislation, with the exception of the cases covered under Article 61 herein.

(2) The change in the values of the asset shall be shown in the tax depreciation schedule as at the 1st

day of January of the year in which the circumstances necessitating the change have been ascertained. The tax depreciation schedule shall not be changed and the tax depreciation charged shall not be adjusted in respect of prior years.

(3) The values of the tax depreciable asset after the change must equal the value which would be determined if the circumstances necessitating the change were known during the prior years.

(4) (Supplemented, SG No. 94/2010, effective 1.01.2011) Upon determination of the tax financial result, the annual tax depreciation of the asset for the current year shall be adjusted for the difference between the tax depreciation charged for the asset during the prior years and the annual tax depreciation which would be charged for the said years if the circumstances necessitating the change were known during the prior years. Sentence one shall not apply where the circumstance necessitating the change in the values of the asset is the detection of an error.

(5) Where the circumstances ascertained do not necessitate a change in the values of the asset for prior years, the change in the values shall be shown in the tax depreciation schedule as at the time of ascertainment of the circumstance during the current year.

Subsequent Expenses Associated with Asset Available

in Tax Depreciation Schedule

Article 63. The tax depreciable value of any asset which is available in the tax depreciation schedule shall be credited with any subsequent expenses which, according to accounting legislation, lead to future economic benefits associated with the tax depreciable asset. The tax depreciable asset shall be credited as from the beginning of the month during which the said subsequent expenses were incurred.

Subsequent Expenses Associated with Asset Written Off in Tax Depreciation Schedule

Article 64. (1) Where an asset has been written off in the tax depreciation schedule but has not been written off for accounting purposes, a separate tax depreciable asset shall be posted with the subsequent expenses which, according to accounting legislation, lead to future economic benefits associated with the said asset.

(2) The tax depreciable asset referred to in Paragraph (1) shall be posted in the tax depreciation schedule as from the beginning of the month during which the subsequent expenses were completed.

(3) For the purposes of Article 55 herein, the tax depreciable asset shall be allocated to the category to which the asset in connection with which the subsequent expenses have been incurred was allocated.

(4) Where the asset in connection with which the subsequent expenses have been incurred is written off in the tax depreciation schedule before the tax depreciable asset referred to in Paragraph (1) is fully depreciated, the said asset shall be written off in the tax depreciation schedule under the terms and according to the procedure established by Article 60 herein.

Income and Expenses from Subsequent Valuations of Tax Depreciable Assets

Article 65. The accounting income and expenses from subsequent valuations of tax depreciable assets shall not be recognized for tax purposes.

Adjustment of Accounting Financial Result upon Write-Off of Tax Depreciable Asset

Article 66. (1) Where an asset is written off in the tax depreciation schedule, upon determination of the tax financial result the accounting financial result shall be credited with the accounting carrying value of the asset.

(2) Where an asset is written off in the tax depreciation schedule, upon determination of the tax financial result the accounting financial result shall be debited with the tax value of the asset.

(3) Paragraphs (1) and (2) shall not apply:

1. in the cases of unrecognized expenses on shrinkage of assets and associated claims, where the tax value exceeds the accounting carrying value of the said asset;

2. upon write-off of an asset for the account of owners' equity, where the tax value exceeds the accounting carrying value of the said asset;

3. upon write-off of an asset according to the procedure established by Article 60 (6) herein, where the tax value exceeds the accounting carrying value of the said asset;

4. upon transformation of corporations and restructuring of cooperatives under Sections II and III of Chapter Nineteen herein.

Accounting Expenses Forming Tax Depreciable Asset

Article 67. Any accounting expenses forming a tax depreciable asset, including any subsequent expenses, shall not be recognized for tax purposes.

Income and Expenses Accounted for in Connection with Donation Associated with Tax Depreciable Asset

Article 68. Any accounting income and expenses, accounted for in connection with a donation wherewith the historical cost has been debited upon determination of the tax depreciable value of the asset, shall not be recognized for tax purposes.

Specific Tax Treatment of Asset Formed as Result of Development Activity

Article 69. (1) Upon determination of the tax financial result, the taxable person shall have the right to debit the accounting financial result thereof with the historical cost of an intangible fixed asset on a single occasion in the year of formation of the said result, where the following conditions are simultaneously fulfilled:

1. the asset has been formed as a result of development activity;

2. the development activity has been carried out in connection with the activity carried out by the taxable person as a regular business;

3. the development activity has been commissioned under market conditions to a scientific research institute or a higher school.

(2) Where the taxable person has exercised the right thereof under Paragraph (1), the intangible fixed asset accounted for under Paragraph (1) shall not be a tax depreciable asset.

Specific Tax Treatment of Expenses on Construction or Improvement of Physical-Infrastructure Elements Constituting Public State Property or Public Municipal Property

Article 69a. (New, SG No. 96/2019, effective 1.01.2020) (1) The accounting expenses on the construction or improvement of physical-infrastructure elements which, by virtue of a law, constitute public State property or public municipal property and are related to the activity of the taxable person, including in case the physical-infrastructure elements are accessible for use by other entities as well, shall be disregarded.

(2) The procedure and requirements of this Act shall apply to any expenses referred to in Paragraph (1) which are capitalised as part of the value of an asset or which are posted as a separate asset.

(3) Any expenses referred to in Paragraph (1), which are not capitalised as part of the value of an asset or which are not posted as a separate asset, shall be treated and posted as a separate tax depreciable asset for the purposes of this Act. (2) The tax depreciable asset referred to in the foregoing sentence shall be posted in the tax depreciation schedule as from the beginning of the month during which the physical-infrastructure elements were completed. For the purposes of Article 55 herein, the said tax depreciable asset shall be allocated to the category whereto the said asset would have been allocated in case the asset was own and shall be written off in the tax depreciation schedule under the terms and according to the procedure established by Article 60 (1) herein.

(4) Article 63 herein shall apply to any subsequent expenses which, according to accounting legislation, give rise to related to incurred theretofore which, according to accounting legislation, lead to future economic benefits derived from a separate tax depreciable asset posted under Paragraph (3).

(5) In cases where a reward has been agreed for the construction or improvement of physical-infrastructure elements constituting public State property or public municipal property, including where the said reward has been set in whole or in part as goods or services, Paragraphs (1) to (4) shall not apply and the standard procedure established by this Act shall apply.

Chapter Eleven
CARRY-FORWARD OF TAX LOSS

General Dispositions

Article 70. (1) Taxable persons shall have the right to carry forward the tax loss formed according to the procedure established by this Part. Where a taxable person has elected to carry forward the tax loss, the said loss shall mandatorily be carried forward successively until the depletion thereof during the next succeeding five years.

(2) The taxable person shall exercise the right thereof to election by means of deduction of the tax loss during the first year after incurrence of a tax loss, during which the said person has formed a positive tax financial result before deduction of the tax loss. Where the taxable person has not formed a positive tax financial result before deduction of the tax loss until the date of tax control, the person shall be presumed to have exercised the right thereof to election in respect of carry-forward of a tax loss.

Procedure for Deduction

Article 71. (1) A tax loss shall be deducted upon determination of the tax financial result within the amount of the positive tax financial result before deduction of the tax loss. Where the tax loss is less than the positive tax financial result before deduction of the tax loss, the full amount of the said loss shall be deducted upon determination of the tax financial result.

(2) (Repealed, SG No. 94/2012, effective 1.01.2013).

Newly Incurred Tax Losses

Article 72. The provisions of this Chapter shall apply in respect of any newly incurred tax losses, observing the sequence of incurrence of the said losses. In respect of each of the newly incurred tax losses, the five-year-period shall begin to run from the year next succeeding the year of incurrence of the said losses.

Loss from Source Outside Bulgaria upon Application of Exemption with Progression Method

Article 73. (1) Any tax loss, formed during the current year in a State wherewith the Republic of Bulgaria has concluded a convention for the avoidance of double taxation and the method of avoidance of double taxation with respect to profits is exemption with progression, shall not be deducted from the tax profits from a source inside the country or other States during the current of succeeding years.

(2) The tax loss referred to in Paragraph (1) shall be deducted in compliance with the requirements of this Chapter successively solely from the tax profits from the source outside Bulgaria from which the said loss has been incurred during the next succeeding five years.

(3) Upon cessation of the activity of a permanent establishment in a Member State of the European Union or of the European Economic Area, any tax losses from a permanent establishment which have not been carried forward and have not been recovered shall be carried forward according to the standard procedure established by this Act until lapse of the five-year period since the incurrence of the said losses.

Loss from Source Outside Bulgaria upon Application of Credit Method

Article 74. (1) Where a taxable person has formed a tax loss and the said loss or a part thereof has its source outside Bulgaria in respect of which source the credit method for avoidance of double taxation is applied, the loss which is not deducted during the current year shall be deducted during the next succeeding five years in compliance with the requirements of this Chapter successively solely from the tax profits from the source outside Bulgaria from which the said loss has been incurred.

(2) Where the tax loss for the year has not been formed from a single source (foreign State or the country), the said loss shall be allocated for the purposes of Paragraph (1) among the States from which the said loss has originated according to the following formula:

$$A = B \times \frac{C}{D}$$

sa0

where:

A shall be the part of the tax loss incurred by the taxable person for the year, allocated to the relevant source (foreign State or the country);

B shall be the tax loss formed by the taxable person for the year;

C shall be the tax loss formed from the relevant source (foreign State or the country);

D shall be the sum total of the tax losses formed from all sources (foreign States and the country).

(3) Paragraph (1) shall not apply to any losses from a source within a Member State of the European Union or of the European Economic Area.

Chapter Twelve
ACCOUNTING ERRORS

Correction of Accounting Errors

Article 75. (1) Upon detection, during the current year, of any accounting error related to prior years, the tax financial results for the relevant prior years shall be corrected according to the requirements of the laws effective during the relevant prior years in a way as if the said error was nor made.

(2) Upon determination of the tax liability on the tax financial result for a prior year as corrected under Paragraph (1), the rate of tax for the relevant prior year shall be applied.

(3) (Amended, SG No. 110/2007, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 15/2013, effective 1.01.2013, amended, SG No. 97/2016, effective 1.01.2017) In the cases under Paragraph (1), upon detection, during the current year, of any accounting error related to the preceding year, for which an annual tax return has been submitted and the statutory time limit for the submission thereof has expired, the taxable person may, on a single occasion, not later than the 30th day of September of the current year, correct the tax financial result and the tax liability by means of submission of a new return. In the rest of the cases referred to in Paragraph (1), the taxable person shall notify in writing the competent revenue authority, which shall take actions within 30 days of receiving the notification for a change of the tax financial result and of the liability for the respective tax period.

(4) (Amended, SG No. 94/2010, effective 1.01.2011) Upon detection of any error related to a tax depreciable asset, the values of the asset shall be changed according to the procedure established by Article 62 herein. Where, as a result of an error detected, it is established that the taxable person has continued to form a tax depreciable asset for the relevant prior year, then an annual tax depreciation equal to the accounting depreciation shall be recognized upon determination of the tax financial results for the prior years, and the said tax depreciation may not exceed the annual tax depreciation which would be charged for the said asset for the relevant years if the maximum permissible annual rates of tax depreciation for the relevant years were used. The tax depreciable asset referred to in sentence two shall be posted in the tax depreciation schedule as at the 1st day of January of the year of detection of the error at the tax depreciable value of the said asset and the tax depreciation charged under sentence two.

(5) The temporary tax difference which would originate during a prior year if the error was not made shall be considered as having originated during the relevant prior year and shall be recognized for tax purposes according to the standard procedure established by this Act.

(6) (Amended, SG No. 94/2010, effective 1.01.2011) Paragraphs (1) to (4) shall not apply in respect of the tax financial result and the tax liability on the said result for that prior year for which at least six years have lapsed as at the 1st day of January of the year of detection of the error.

(7) All accounting income and expenses, accounted for during the current year in connection with a detected accounting error from prior years, shall not be recognized for tax purposes.

Specific Cases of Correction of Accounting Errors

Article 76. Where, after correction of the tax financial result under Article 75 (1) herein, a tax loss for the relevant prior period is incurred or changes, the provisions of Chapter Eleven herein shall apply. The tax financial results for the years from the making of the error until the detection thereof shall be

corrected according to the procedure established by Article 75 herein in such a way as if the error was not made. The year during which the error was made shall be considered a year of incurrence of the tax loss.

Expenses Accounted for in Breach of Accounting Legislation

Article 77. (1) Any expenses accounted for in breach of accounting legislation shall not be recognized for tax purposes in the year of accounting for such expenses.

(2) The expenses unrecognized for tax purposes, referred to in Paragraph (1), shall be recognized for tax purposes where this is permissible under this Act and in compliance with the requirements of this Chapter.

Income and Expenses Unaccounted for According to Procedure Established by Statutory Instrument

Article 78. Upon determination of the tax financial result, the accounting financial result shall be corrected by the amount of income and expenses which should have been accounted for during the current year according to the requirements of a statutory instrument but which were not accounted for by the taxable person. Where any accounting income and expenses are subsequently accounted for in connection with a business transaction under sentence one, the said income and expenses shall not be recognized for tax purposes.

Correction of Errors Other than Accounting Errors and Disclosure of Adjusting Events

(Heading supplemented, SG No. 97/2016, effective 1.01.2017)

Article 79. (Amended, SG No. 94/2010, effective 1.01.2011, supplemented, SG No. 97/2016, effective 1.01.2017) The provisions of this Chapter shall furthermore apply to any errors other than accounting errors, including to any errors upon adjustment of the accounting financial result for the purposes of determination of the tax financial result, as well as to any adjusting events within the meaning given by the applicable accounting standards.

Default Interest

Article 80. Default interest according to the standard procedure shall furthermore be due upon application of Article 75 herein. The interest shall be due as from the date on which the corporation tax for the relevant prior year should have been remitted.

Corrections of Errors Detected upon Tax Control

Article 81. The provisions of this Chapter, with the exception of Article 75 (3) herein, shall furthermore apply in the cases of errors detected upon tax control.

Chapter Thirteen
CHANGE IN ACCOUNTING POLICIES

Adjustment upon Change in Accounting Policies

Article 82. (1) Where the accounting policies change, upon determination of the tax financial result, the accounting financial result for the current year shall be adjusted in the manner and by the amount whereby the tax financial results for the prior years would have been adjusted if the changed accounting policies were applied during the said years.

(2) The temporary tax differences, which have originated according to the accounting policies applied before the change, shall be considered as not having originated.

(3) In case the changed accounting policies have been applied during the prior years and temporary tax differences would have originated as a result of this, the said differences shall be considered as having originated and shall be recognized according to the standard procedure established by this Act.

(4) Any accounting income and expenses, accrued and incurred as a result of changed accounting policies, shall not be recognized for tax purposes.

(5) (Amended, SG No. 110/2007, effective 1.01.2007) Paragraphs (1) to (3) shall not apply upon any change in accounting policies related to tax depreciable assets.

(6) No default interest shall be due upon any change in accounting policies where the effect of the said change leads to an increase in the tax financial result.

Chapter Fourteen
TAX PREPAYMENTS

General Dispositions

Article 83. (1) (Redesignated from Article 83, SG No. 110/2007, supplemented, SG No. 94/2012, effective 1.01.2013) Any taxable person shall make monthly or quarterly prepayments of corporation tax based on a projected tax profit for the current year.

(2) (New, SG No. 110/2007) Prepayments shall not be made by:

1. (amended, SG No. 94/2012, effective 1.01.2013) any taxable persons whose net turnover for the last preceding year does not exceed BGN 300,000;

2. any newly incorporated taxable persons, for the year of the incorporation thereof, with the exception of any such persons newly incorporated as a result of a transformation under the Commerce Act.

(3) (New, SG No. 94/2012, effective 1.01.2013) The persons referred to in Paragraph (2) may make quarterly prepayments according to the procedure established by this Chapter, and in this case Article 89 herein shall not apply.

Monthly Tax Prepayments

Article 84. (Amended, SG No. 94/2012, effective 1.01.2013) Monthly tax prepayments shall be made by any taxable person whose net turnover for the last preceding year exceeds BGN 3,000,000.

Quarterly Tax Prepayments

Article 85. Quarterly tax prepayments shall be made by any taxable person which is under no obligation to make monthly tax prepayments.

Determination of Monthly Tax Prepayments

Article 86. (Supplemented, SG No. 110/2007, amended, SG No. 94/2012, effective 1.01.2013) The monthly tax prepayments shall be determined according to the following formula:

$$PR_{MONTHLY} = \frac{PTP}{12} \times RT$$ sa0

where:

$PR_{MONTHLY}$ shall be the monthly tax prepayment;

PTP shall be the projected tax profit for the current year;

RT shall be the rate of corporation tax.

Determination of Quarterly Tax Prepayments

Article 87. (Amended, SG No. 94/2012, effective 1.01.2013) The quarterly tax prepayments shall be determined according to the following formula::

$$PR_{QUARTERLY} = \frac{PTP}{4} \times RT$$ sa0

where:

$PR_{QUARTERLY}$ shall be the quarterly tax prepayment;

PTP shall be the projected tax profit for the current year;

RT shall be the rate of corporation tax.

Declaring of Tax Prepayments

Article 87a. (New, SG No. 94/2012, effective 1.01.2013) (1) The tax prepayments for the current calendar year, determined according to the procedure established by Article 86 and Article 87 herein, shall be declared in the annual tax return for the preceding calendar year.

(2) The quarterly tax prepayments for the current calendar year, determined according to the procedure established by Article 87 herein, by a company newly incorporated as a result of a transformation, shall be declared in a tax return in a standard form within the time limit for making the first tax prepayment after the transformation.

(3) The quarterly tax prepayments for the current calendar year, determined according to the procedure established by Article 87 herein, by a newly incorporated company in the cases under Article 83 (3) herein, shall be declared in a tax return in a standard form within the time limit for making the first quarterly tax prepayment which is opted for.

Declaration on Changes of Tax Prepayments

(Heading amended, SG No. 94/2012, effective 1.01.2013)

Article 88. (1) (Amended and supplemented, SG No. 94/2012, effective 1.01.2013) The taxable

persons may submit a declaration in a standard form on reduction or increase of tax prepayments when the said persons assume that the said prepayments will differ from the annual corporation tax due.

(2) (Supplemented, SG No. 94/2012, effective 1.01.2013) The reduction or, respectively, the increase of tax prepayments shall be enjoyable after submission of the declaration.

(3) (New, SG No. 94/2012, effective 1.01.2013) The declaration referred to in Paragraph (1) shall be furthermore submitted in the cases of transformation according to the procedure established by Chapter Nineteen herein, where there is a change in the amount of the tax prepayments determined by the receiving company after the transformation. The declaration shall be submitted within the time limit for making the first tax prepayment after the transformation.

Interest upon Excess of the Annual Corporation Tax above the Tax Prepayments Determined

(Heading amended, SG No. 94/2012, effective 1.01.2013)

Article 89. (1) (Amended, SG No. 94/2012, effective 1.01.2013) Where the annual corporation tax due exceeds the sum of the monthly tax prepayments determined for the relevant year by more than 20 per cent, or where 75 per cent of the annual corporation tax due exceeds the sum of the quarterly tax prepayments determined for the relevant year by more than 20 per cent, interest shall be due on the excess over 20 per cent.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) The amount whereon interest is due under Paragraph (1) shall be arrived at according to the following formulae:

1. for monthly tax prepayments:

A = B - (C + 0.2 x C), where:

A is the amount whereon interest is due;

B is the annual corporation tax due;

C is the total amount of monthly tax prepayments determined for the year;

2. for quarterly tax prepayments:

A = 0.75 x B - (C + 0.2 x C), where:

A is the amount whereon interest is due;

B is the annual corporation tax due;

C is the total amount of quarterly tax prepayments determined for the year.";

(3) (Repealed, SG No. 94/2012, effective 1.01.2013).

(4) (Amended, SG No. 94/2012, effective 1.01.2013) Tax prepayments determined within the meaning given by this Article, shall be:

1. the monthly tax prepayments as determined according to the procedure established by Article 86 herein or the quarterly tax prepayments as determined according to the procedure established by Article 87 herein for first, second and third quarter: applicable to the tax prepayments before submission of the declaration on changes of tax prepayments according to the procedure established by Article 88 herein;

2. the reduced or increased monthly tax prepayments or the reduced or increased quarterly tax prepayments for first, second and third quarter as determined by the declaration under Article 88 herein: applicable to the tax prepayments after submission of the declaration on changes of tax prepayments according to the procedure established by Article 88 herein.

(5) (Supplemented, SG No. 94/2010, effective 1.01.2011, amended, SG No. 94/2012, effective 1.01.2013) The interest referred to in Paragraph (1) shall be determined according to the Interest on Taxes, Fees and Other State Receivables Act and shall be calculated from the 16th day of April until the 31st day of December of the relevant year, and applicable to a company newly incorporated as a result of transformation, from the date following the date of expiry of the time limit for making the first quarterly tax prepayment until the 31st day of December of the year of transformation.

Remittance of Tax Prepayments

Article 90. (Amended, SG No. 94/2012, effective 1.01.2013) (1) Monthly tax prepayments shall be remitted as follows:

1. for the months of January, February and March: not later than the 15th day of April of the current calendar year;

2. for the months from April until December: not later than the 15th day of the month to which the said prepayments apply.

(2) Quarterly tax prepayments for the first and second quarters shall be remitted on or before the 15th day of the month next succeeding the quarter to which the said prepayments apply, and for the third quarter: not later than the 15th day of December. No quarterly tax prepayment shall be made for the fourth quarter.

Retention of Tax Prepayments

Article 91. (Amended, SG No. 94/2012, effective 1.01.2013) (1) (Previous text of Article 91, SG No. 95/2015, effective 1.01.2016) Any taxable person which is allowed to retain corporation tax for the current year shall furthermore be allowed to retain the relevant portion of the tax prepayments determined in proportion to the amount of the retention.

(2) (New, SG No. 95/2015, effective 1.01.2016) For the year for which an order under Item 1 (b) of Article 189 herein has been received, the relevant portion of the tax prepayments determined shall be retained as from the month/quarter next succeeding the month of the issuing of the order.

Specific Rules for Determination of Projected Tax Profit and Annual Corporate Tax Due

Article 91a. (New, SG No. 98/2018, effective 1.01.2019, amended, SG No. 96/2019, effective 1.01.2020) Upon determination of the projected tax profit and of the annual corporate tax due according to the procedure established by Article 89 herein, the following shall be ignored:

1. tax profit derived from a controlled foreign company;

2. the portion of the excess of the credits over the debits of the accounting financial result as a result of the adjustments under Article 155a (1) and Article 155b (1) herein, corresponding to the transferred assets/business, whereto a deferral under Article 155d herein will be applied.

Chapter Fifteen

CORPORATION TAX DECLARING AND REMITTANCE

Declaring of Corporation Tax

Article 92. (1) Any taxable persons which are liable to corporation tax shall submit an annual tax return in a standard form regarding the tax financial result and the annual corporation tax due.

(2) The annual tax return shall be submitted on or before the 31st day of March of the next succeeding year at the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable person.

(3) (Amended, SG No. 95/2009, effective 1.01.2010) The annual activity report shall be submitted together with the annual tax return.

(4) (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 97/2016, effective 1.01.2017, SG No. 92/2017, effective 1.01.2018, supplemented, SG No. 98/2018, effective 1.01.2019) The taxable persons which did not carry out activity within the meaning given by the Accountancy Act during the tax period shall not submit an annual tax return and annual activity report. An annual tax return shall be submitted where a liability for corporate tax or a liability for tax on expenses arises for a tax period during which activity was not carried out within the meaning given by the Accountancy Act, as well as where a taxable person wishes to declare other data and circumstances provided for in the standard form of the return.

(5) (Amended, SG No. 95/2009, effective 1.01.2010, repealed, SG No. 97/2016, effective 1.01.2018).

(6) (New, SG No. 94/2010, effective 1.01.2011) The taxable persons shall attach proof of the amount of taxes remitted abroad to the annual tax return. Sentence one shall not apply to any profits/income from a source outside Bulgaria in respect of which the method of avoidance of double taxation is exemption with progression, provided for in a convention for the avoidance of double taxation.

(7) (New, SG No. 75/2016, effective 27.09.2016) Any non-resident legal person carrying out an activity through a permanent establishment in the country shall state in the annual tax return identification data on the owners, shareholders or partners in the non-resident legal person and on the amount of the participating interest thereof, where the amount of the said participating interest exceeds 10 per cent.

Tax Remittance

Article 93. Any taxable person shall remit the corporation tax for the relevant year on or before the 31st day of March of the next succeeding year after deduction of the tax prepayments remitted for the relevant year.

Article 94. (Repealed, SG No. 94/2012, effective 1.01.2013).

Chapter Sixteen
FINANCIAL INSTITUTIONS

Income and Expenses Determined by Regulatory Authority

Article 95. Where there exists any divergence between the amount of income or expenses as accounted for according to the accounting policies of a financial institution and the amount as

determined by a regulatory authority according to a statutory instrument, the amount as determined according to the special statutory instrument shall be recognized upon determination of the tax financial result.

Income and Expenses from Subsequent Valuations (Revaluations and Impairments) of Financial Assets and Liabilities

(Heading supplemented, SG No. 95/2009, effective 1.01.2009)

Article 96. (1) (Redesignated from Article 96, SG No. 95/2009, effective 1.01.2009) Any income and expenses from subsequent valuations of financial assets and liabilities, accounted for by financial institutions, shall be recognized for tax purposes in the year of accounting for the said income and expenses. Financial institutions shall not apply Articles 34, 35 and 37 herein in respect of the financial assets and liabilities.

(2) (New, SG No. 95/2009, effective 1.01.2009) Where any income and expenses from subsequent valuations of financial assets and liabilities have not been recognized for tax purposes during a preceding year, the said income and expenses shall be recognized according to the standard procedure established by this Act. Sentence two of Paragraph (1) shall not apply in respect of any such assets and liabilities.

Subsequent Valuations of Financial Assets and Liabilities Recognized Directly in Owners' Equity

Article 97. (1) Upon determination of the tax financial result of financial institutions, the accounting financial result thereof shall be credited with any profits from subsequent valuations of financial assets and liabilities, recognized during the current year directly in the owners' equity thereof.

(2) Upon determination of the tax financial result of financial institutions, the accounting financial result thereof shall be debited with any losses from subsequent valuations of financial assets and liabilities, recognized during the current year directly in the owners' equity thereof.

(3) (Amended, SG No. 110/2007) Any profits and losses recognized during the current year in the profit-and-loss account (income statement), which were involved upon determination of the tax financial result according to the procedure established by Paragraphs (1) and (2), shall not be recognized for tax purposes.

Chapter Seventeen

SPECIFIC RULES FOR DETERMINATION OF TAX FINANCIAL RESULT OF COOPERATIVES

Producer and Consumer Dividends

Article 98. (1) "Producer dividends" shall be the amounts which are distributed for output produced by cooperative members and sold to the cooperative. Any such dividends shall be determined on the basis of the profit corresponding to the output sold, whether before of after the processing of the said output.

(2) "Consumer dividends" shall be the amounts which are distributed for consumer goods purchased by cooperative members from the cooperative. Any such dividends shall be determined on the basis of the profit arising from the difference between the selling price, whereat the cooperative has sold the goods, less the distribution costs thereof, and the price paid by the cooperative for acquisition of the said goods.

Tax Treatment of Producer and Consumer Dividends

Article 99. (1) Upon determination of the tax financial result, the accounting financial result shall be debited with the producer and consumer dividends paid to cooperative members until the 25th day of March of the next succeeding year, which are covered by the balance-sheet profit. The debiting referred to in sentence one shall be effected up to the amount of the positive accounting financial result.

(2) Any producer and consumer dividends paid to cooperative members shall be accounted for as accounts receivable and shall be excluded upon determination of the accounting financial result.

(3) Where the cooperative has reported, for the relevant year, a balance-sheet loss or a balance-sheet profit insufficient to cover the producer and consumer dividends paid during the year, the amount of the producer and consumer dividends paid during the year and uncovered shall be accounted for as an accounting expense which is not recognized for tax purposes.

Chapter Eighteen

(Repealed, SG No. 69/2008, effective 1.01.2009) INTRA-COMMUNITY DIVIDENDS

Section I
Definitions

Article 100. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 101. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 102. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 103. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 104. (Repealed, SG No. 69/2008, effective 1.01.2009).

Section II
Tax Treatment upon Distribution of Dividends

Article 105. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 106. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 107. (Repealed, SG No. 110/2007).

Article 108. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 109. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 110. (Repealed, SG No. 69/2008, effective 1.01.2009).

Article 111. (Repealed, SG No. 69/2008, effective 1.01.2009).

Chapter Nineteen
TRANSFORMATION OF COMPANIES AND COOPERATIVES AND TRANSFER OF ENTERPRISE

Section I
General Dispositions

Applicability

Article 112. The provisions of this Chapter shall apply upon transformation of any companies and cooperatives and upon transfer of an enterprise.

Date of Transformation

Article 113. The date of transformation for tax purposes shall be the date of entry of the transformation in the Commercial Register.

Last Tax Period upon cessation of transferring company

Article 114. Last tax period upon cessation of transferring company shall be the period from the beginning of the year to the date of transformation. For transferring companies which are newly established during the year of transformation, last tax period shall be the period from the date of establishment to the date of transformation.

Taxation for Last Tax Period

Article 115. (1) The transferring companies and the permanent establishments of non-resident persons shall be subject to corporation tax for the last tax period according to the standard procedure established by this Act. The taxation shall be final.

(2) For tax purposes, the assets and liabilities available at the date of transformation shall be considered as having been sold at market prices and shall be written off.

(3) Upon determination of the tax financial result, the accounting financial result shall be credited with the profit and shall be debited with the loss arrived at as a difference between the market price of the asset or liability and the accounting value thereof at the date of transformation. Any temporary tax differences related to the asset or liability shall be recognized during the last tax period according to the standard procedure established by this Act. Article 66 (1) and (2) herein shall apply upon determination of the tax financial result.

(4) Paragraphs (2) and (3) shall not apply upon transformation under the terms and according to the procedure established by Sections II and III herein.

Tax Treatment of Transformation through Change of Legal Form

Article 116. (1) Articles 115 and 117 herein shall not apply in the cases of transformation through change of the legal form under Article 264 of the Commerce Act. The newly formed company shall assume all obligations for determination of the tax financial result and remittance of the corporation tax due for the full year of transformation.

(2) For tax purposes, all rights and obligations arising from any acts performed by the transferring

company for the current and prior periods, including the adjustments of the tax financial results, shall be considered as having been performed by the newly formed company.

Tax Treatment of Transformation by Transfer of Property to Sole Owner

Article 116a. (New, SG No. 110/2007) (1) Upon transformation by transfer of property to the sole owner under Article 265 of the Commerce Act, all rights and obligations arising from steps performed by the transforming corporation for the current and prior periods, including the adjustments of the tax financial result, shall be considered as having been performed by the sole trader.

(2) The sole trader shall submit a tax return on corporation tax for the last tax period of the transferring company according to the procedure established by Article 117 (1) herein and shall remit the said tax within the time limit under Article 117 (2) herein.

(3) After the transformation, the sole trader shall make quarterly tax prepayments in the year of transformation.

(4) The sole trader may not carry forward any tax losses formed by the transferring company.

(5) (Amended, SG No. 98/2018, effective 1.01.2019) The sole trader may not recognise for tax purposes any unrecognised expenses on interest payments in the transferring company resulting from the application of the thin capitalisation regime and/or from the application of the interest deduction limitation rule.

(6) The transferring company shall not apply Article 115 (2) and (3) herein.

Declaring and Remittance of Tax for Last Tax Period

Article 117. (1) (Amended and supplemented, SG No. 110/2007) In the cases of dissolution of transferring companies, the newly formed companies or the receiving companies shall submit a tax return on the corporation tax for the last tax period of the transferring company within thirty days after the date of transformation. The tax return shall be submitted to the National Revenue Agency territorial directorate exercising competence over the place of registration of the newly formed company or the acquiring company. Upon transformation through division, the tax return shall be submitted by one of the newly formed or acquiring companies.

(2) The corporate tax for the last tax period shall be remitted by the newly formed companies or the receiving companies within thirty days after the date of transformation after deduction of the tax prepayments made.

(3) (New, SG No. 110/2007) Paragraphs (1) and (2) shall furthermore apply in the cases of dissolution of a transferring company under Section II of this Chapter.

Tax Prepayments by Receiving Companies or Newly Formed Companies

Article 118. (1) (Amended, SG No. 94/2012, effective 1.01.2013) In the year of transformation, the receiving companies shall make the same type of tax prepayments as before the transformation, and the newly formed companies shall make quarterly tax prepayments.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) Upon transformation through change of the legal form under Article 264 of the Commerce Act, the newly formed company shall make monthly or quarterly tax prepayments according to the standard procedure established by this Act on the basis of the projected tax profit determined by the transferring company.

Carry-Forward of Tax Loss upon Transformation and Transfer of Enterprise

Article 119. (1) Upon transformation under the Commerce Act, the acquiring companies or newly formed companies may not carry forward any tax losses formed by the transferring companies.

(2) Upon sale of an enterprise under Article 15 of the Commerce Act, the transferee may not carry forward any tax losses formed by the transferor.

(3) Paragraph (1) shall not apply upon transformation through change of the legal form under Article 264 of the Commerce Act.

Regulation of Thin Capitalisation and Application of Interest Deduction Limitation Rule

(Heading amended, SG No. 98/2018, effective 1.01.2019)

Article 120. (1) (Amended, SG No. 98/2018, effective 1.01.2019) Upon transformation under the Commerce Act, the acquiring companies or newly formed companies may not recognise for tax purposes any unrecognised expenses on interest payments and/or any unrecognised exceeding borrowing costs in the transferring companies resulting from the application of the thin capitalisation regime or, respectively, of the interest deduction limitation rule.

(2) (Amended, SG No. 98/2018, effective 1.01.2019) Upon sale of an enterprise under Article 15 of the Commerce Act, the transferee may not recognise for tax purposes any unrecognised expenses on interest payments and/or any unrecognised exceeding borrowing costs at the transferor resulting from the application of the thin capitalisation regime or, respectively, of the interest deduction limitation rule.

(3) Paragraph (1) shall not apply upon transformation through change of the legal form under Article 264 of the Commerce Act.

Expenses on Conduct of Transformation

Article 121. (1) The accounting expenses incurred in connection with the transformation shall not be recognized for tax purposes at the transferring company. The unrecognized expenses shall be recognized for tax purposes upon determination of the tax financial result of the acquiring company or the newly formed company in the year during which the transformation was implemented.

(2) Where any circumstances occur determining that the transformation will not be implemented, the expenses referred to in Paragraph (1) shall be recognized for tax purposes at the transferring companies in the year of occurrence of the said circumstances, if the requirements of this Act are complied with.

Tax Treatment upon Opting for Earlier Date of Transformation for Accounting Purposes

Article 122. (1) (Amended and supplemented, SG No. 110/2007) Upon opting for an earlier date of transformation for accounting purposes according to the procedure established by Article 263g (2) of the Commerce Act, all steps performed by the transferring companies for the account of the newly formed companies or acquiring companies as from the said date and until the date of transformation for tax purposes shall be considered as having been performed for tax purposes by the transferring companies.

(2) (Supplemented, SG No. 110/2007) In the cases referred to in Paragraph (1), all accounting income and expenses, profits and losses, accounted for by the newly formed companies or acquiring companies shall be recognized for tax purposes at the transferring company. The said income and expenses, profits and losses shall not be recognized for tax purposes at the newly formed companies or acquiring companies. The accounting income and expenses, profits and losses for the purposes of

sentences one and two shall be those as would have been accounted for by the transferring company without providing for the earlier date for accounting purposes according to the procedure established by Article 263g (2) of the Commerce Act.

(3) The adjustments upon determination of the tax financial result, resulting from any acts referred to in Paragraph (1), shall be performed by the transferring companies.

Cooperative Organizations and State-Owned Enterprises

Article 123. The provisions of this Chapter in respect of the transformation of commercial corporations shall furthermore apply in the cases of:

1. restructuring of cooperative organizations;

2. dissolution, closure or formation of state-owned enterprises within the meaning given by Article 62 (3) of the Commerce Act under conditions of universal succession.

Liability upon Transformation and Restructuring

Article 124. (1) Upon transformation of commercial corporations or upon restructuring of cooperative organizations, the newly formed or acquiring companies/cooperative organizations shall incur solidary liability for the tax liabilities of the transferring companies or cooperative organizations up to the extent of the rights received.

(2) Upon transfer of an enterprise under Article 15 of the Commerce Act, the transferee shall incur solidary liability for the tax liabilities of the transferor up to the extent of the rights received.

(3) The rights received shall be valued at market prices.

Section II
Specific Regime of Taxation upon Transformation

Applicability

Article 125. (1) This Section shall apply upon merger by acquisition, merger by the formation of a new company, division, partial division, transfer of assets and exchange of shares or interests within the meaning given by Articles 126 to 131 herein, concerning resident companies and/or companies from another Member State of the European Union.

(2) This Section shall furthermore apply, mutatis mutandis, in the cases of restructuring of cooperative organizations, including such of other Member States of the European Union, where the conditions specified therein exist.

Merger by Acquisition

Article 126. (1) "Merger by acquisition" shall be any transformation in respect of which the following conditions are simultaneously fulfilled:

1. all assets and liabilities of one or more transferring companies are transferred to another existing acquiring company, the transferring companies being dissolved without going into liquidation;

2. the shareholders or members of the transferring companies are issued shares or interests in the acquiring company.

(2) "Merger by acquisition" shall furthermore be any transformation whereupon all assets and liabilities of a transferring company are transferred to an acquiring company holding all shares or interests in the transferring company, and the transferring company is dissolved without going into liquidation.

Merger by Formation of New Company

Article 127. "Merger by the formation of a new company" shall be any transformation in respect of which the following conditions are simultaneously fulfilled:

1. all assets and liabilities of two or more transferring companies are transferred to a newly formed company, the transferring companies being dissolved without going into liquidation;

2. the shareholders or members of the transferring companies are issued shares or interests in the newly formed company.

Division

Article 128. "Division" shall be any transformation in respect of which the following conditions are simultaneously fulfilled:

1. (supplemented, SG No. 110/2007) all assets and liabilities of a transferring company are transferred to two or more existing (acquiring) or newly formed companies, the transferring company being dissolved without going into liquidation;

2. the shareholders or members of the transferring company are issued shares or interests in each of the existing or newly formed companies, in proportion to the shares or interests held by the shareholders or members in the transferring company.

Partial Division

Article 129. "Partial division" shall be any transformation in respect of which the following conditions are simultaneously fulfilled:

1. (supplemented, SG No. 110/2007) one or more branches of activity of a transferring company is transferred to one or more existing (acquiring) or newly formed companies, without the transferring company being dissolved and leaving therein at least one branch of activity;

2. the shareholders or members of the transferring company are issued shares or interests in the existing or newly formed companies in proportion to the shares or interests held thereby in the transferring company.

Transfer of Assets

Article 130. (Supplemented, SG No. 110/2007) "Transfer of assets" shall be a transformation whereupon one, more or all branches of activity of a transferring company are transferred to one or more existing (acquiring) or newly formed companies in exchange for shares or interests issued by the existing or newly formed companies in favour of the transferring company, without the transferring company being dissolved.

Exchange of Shares or Interests

Article 131. "Exchange of shares or interests" shall be any transformation in respect of which the following conditions are simultaneously fulfilled:

1. as a result of the transformation, the acquiring company holds more than one-half of the voting shares or of the interests in the acquired company or, if already having such holding in the capital,

acquires a further holding in the shares or interests;

2. the shareholders or members of the acquired company exchange the shares or interests thereof for the issue of shares or interests in the acquiring company.

Additional Cash Payments and Non-Issue of Shares or Interests

Article 132. (1) In the cases of merger by acquisition, merger by the formation of a new company, division, partial division, transfer of assets and exchange of shares or interests, for the purpose of achieving a parity of exchange, cash payments not exceeding 10 per cent of the nominal value of the shares or interests issued as a result of the transformation may be effected to the shareholders or members of the transferring companies or acquired companies.

(2) (Amended, SG No. 110/2007) In the cases of merger by acquisition, division and partial division, shares or interests need not be issued where this is admissible by the Commerce Act.

Issue of Shares or Interests

Article 133. Within the meaning given by this Chapter, issue of shares or interests shall be in place where newly issued or held own shares or interests are provided by a newly formed, receiving or acquiring company.

Branch of Activity

Article 134. "Branch of activity" shall be the totality of assets and liabilities of a company which, from an organizational, functional and financial point of view, constitute an independent business.

Transferring Companies

Article 135. "Transferring companies", within the meaning given by this Section, shall be:

1. a resident transferring company;

2. a transferring company from another Member State of the European Union;

3. a permanent establishment in the country of a transferring company from another Member State of the European Union.

Receiving Companies

Article 136. "Receiving companies", within the meaning given by this Section, shall be:

1. a resident newly formed or receiving company;

2. a newly formed or receiving company from another Member State of the European Union;

3. a permanent establishment in the country of a newly formed or receiving company from another Member State of the European Union.

Company from Another Member State of the European Union

Article 137. "Company of another Member State of the European Union", within the meaning given by this Section, shall be any company which simultaneously fulfils the following conditions:

1. the company takes a legal form in accordance with Annex 3 hereto;

2. the company is resident for tax purposes in another Member State of the European Union,

according to the relevant tax legislation and by virtue of a convention for the avoidance of double taxation with a third State is not considered to be resident for tax purposes in another State outside the European Union;

3. the profits of the company are subject to a tax covered under Annex 4 hereto or to a similar profits tax and the company has no option or the possibility of being exempt from the levy of such tax.

Succession

Article 138. For the purposes of this Section, upon transformation all rights and obligations arising from any acts performed by the transferring companies for the current period and the prior periods in respect of the assets and liabilities transferred under Item 1 of Article 139 herein, including the adjustments upon determination of the tax financial result, shall pass to the receiving companies.

Assets and Liabilities Subject to Transformation

Article 139. The assets and liabilities subject to transformation under this Section shall be allocated to the following categories:

1. assets and liabilities whereof the results of exploitation before and after the transformation are involved upon determination of the tax financial result under this Act;

2. assets and liabilities whereof the results of exploitation before the transformation were involved and, as a result of the transformation, cease to be involved upon determination of the tax financial result under this Act;

3. assets and liabilities whereof the results of exploitation before the transformation were not involved and, as a result of the transformation, become involved upon determination of the tax financial result under this Act.

Assets and Liabilities Transferred under Item 1 of Article 139 Herein

Article 140. (1) The accounting profits or losses originating upon write-off of any assets and liabilities referred to in Item 1 of Article 139 herein as a result of the transformation shall not be recognized for tax purposes.

(2) The temporary tax differences related to any assets and liabilities referred to in Item 1 of Article 139 herein, which have originated before the transformation, shall not be recognized for tax purposes at the time of transformation and shall be considered as having originated at the receiving companies.

(3) Where any asset or liability is recognized according to accounting legislation at the receiving company at a value diverging from the pre-transformation value of the said asset or liability, the difference between the two values shall form a temporary tax difference from a subsequent valuation or the temporary tax difference referred to in Paragraph (2) shall be adjusted thereby.

(4) (Supplemented, SG No. 110/2007) The subsequent valuations reserve (revaluation reserve) in respect of any assets referred to in Item 1 of Article 139 herein, which are not tax depreciable assets, shall be transferred by the transferring company and shall be considered as having originated at the receiving company. The transferring company shall not apply Article 45 herein. Where the transferred subsequent valuations reserve (revaluation reserve) referred to in sentence one is not accounted for at the receiving company, the accounting financial result shall be credited with the amount of the reserve where the reserve is a positive quantity or, respectively, the accounting financial result shall be debited with the amount of the reserve where the reserve is a negative quantity, in the year of write-off of the relevant asset whereto the reserve is related.

(5) (Supplemented, SG No. 110/2007) Any tax depreciable assets acquired under Item 1 of Article 139 herein shall be posted in the tax depreciation schedule of the receiving company at values equal to the values of the said assets in the tax depreciation schedule of the transferring company at the time of transformation. A copy of the tax depreciation schedule of the transferring company at the time of transformation shall be delivered to the revenue authority together with the copy of the statement referred to in Paragraph (6).

(6) (Amended, SG No. 110/2007) Upon transformation of each asset or liability referred to in Item 1 of Article 139 herein, a statement shall be prepared according to the procedure established by Article 141 herein.

(7) (New, SG No. 110/2007) Where, as a result of the transformation, the receiving company recognizes according to accounting legislation any assets or liabilities which were not recognized at the transferring company, the post-transformation income and expenses accounted for in connection with the said assets and liabilities shall not be recognized for tax purposes. Where the assets referred to in sentence one are depreciable for tax purposes, the said assets shall be posted in the tax depreciation schedule of the receiving company and tax depreciations shall not be charged for the said assets. The accounting profit which has originated at the receiving company as a result of the transformation and, respectively, the income accounted for in connection with any negative goodwill generated, shall not be recognized for tax purposes.

(8) (New, SG No. 110/2007, amended, SG No. 94/2012, effective 1.01.2013) Where any asset of the transferring company is not recognized according to accounting legislation at the receiving company, the accounting financial result shall be debited with the amount of the said asset upon determination of the tax financial result of the receiving company for the year of transformation. Where any liability of the transferring company is not recognized according to accounting legislation at the receiving company, the accounting financial result shall be credited with the amount of the said liability upon determination of the tax financial result of the receiving company for the year of transformation. The temporary tax differences related to any asset or liability referred to in sentence one, which have originated before the transformation, shall be recognized at the receiving company during the year of transformation according to the standard procedure established by this Act.

(9) (New, SG No. 110/2007) Paragraphs (3), (6) and (8) shall not apply to:

1. any tax depreciable assets;

2. any assets and liabilities under deferred taxes;

3. the goodwill, where the accounting income and expenses accounted for in connection therewith are not recognized for tax purposes;

4. any amounts which are assets for the transferring company and liabilities for the receiving company;

5. any amounts which are liabilities for the transferring company and assets for the receiving company;

6. any shares or interests of the receiving company held by the transferring company;

7. any own shares purchased by the transferring company;

8. any subscribed capital unpaid of the transferring company;

9. any assets and liabilities referred to in Item 2 of Article 139 herein.

(10) (New, SG No. 110/2007) Paragraph (4) shall not apply to the financial assets and liabilities subsequent valuations reserve established by financial institutions, where the accounting financial result

has been adjusted according to the procedure established by Article 97 herein for the profits and losses from the said subsequent valuations. This reserve shall not be stated in the statements referred to in Article 141 herein.

Statements of Assets and Liabilities Referred to in Item 1 of Article 139 Herein

Article 141. (1) The statement referred to in Article 140 (6) herein, prepared by the transferring companies, shall contain the following information on each asset and liability as at the date of transformation:

1. type and designation;

2. accounting value;

3. temporary tax difference;

4. (new, SG No. 110/2007) subsequent valuations reserve (revaluation reserve).

(2) A copy of the statement referred to in Paragraph (1) as prepared shall be delivered to the receiving companies and to the revenue authority not later than at the end of the month next succeeding the month of transformation.

(3) In the cases referred to in Article 140 (3) herein, a new statement shall be prepared by the receiving companies and a copy of the said statement shall be delivered to the revenue authority together with the annual tax return. The said statement shall contain the following information on each asset and liability:

1. type and designation;

2. accounting value;

3. pre-transformation temporary tax difference;

4. post-transformation temporary tax difference, determined according to the procedure established by Article 140 (3) herein;

5. (new, SG No. 110/2007) subsequent valuations reserve (revaluation reserve).

(4) Where the values of the assets and liabilities are adjusted according to accounting legislation as a result of the transformation after submission of the statement referred to in Paragraph (3), the receiving company shall prepare an adjusting statement. The adjusting statement shall be delivered to the revenue authority not later than at the end of the month next succeeding the month of occurrence of the circumstances necessitating the adjustment.

(5) The statements referred to in Paragraphs (1) and (3) shall indicate data identifying the transferring companies and receiving companies, as well as the date of transformation and the judgment of court on entry of the said transformation.

(6) (New, SG No. 110/2007) The copies of the statements covered under this Article and of the tax depreciation schedule referred to in Article 140 (5) herein shall be submitted to the National Revenue Agency territorial directorate exercising competence over the place of registration of the receiving companies on a magnetic or optical data carrier, or by electronic means.

Assets and Liabilities Transferred under Item 2 of Article 139 Herein

Article 142. (1) The accounting profits or losses originating upon write-off of any assets and liabilities

referred to in Item 2 of Article 139 herein, related to a permanent establishment of a resident company in another Member State of the European Union, shall not be recognized for tax purposes.

(2) The temporary tax differences related to any assets and liabilities referred to in Paragraph 1 herein, shall not be recognized for tax purposes at the time of transformation and during the succeeding years.

(3) For tax purposes, outside the cases referred to in Paragraph (1), the assets and liabilities referred to in Item 2 of Article 139 herein, available at the date of transformation, shall be considered as having been sold at market prices and shall be written off.

(4) In the cases referred to in Paragraph (3), upon determination of the tax financial result, the accounting financial result shall be credited with the profit and shall be debited with the loss arrived at as a difference between the market price of the asset or liability and the accounting value thereof at the date of transformation. Any temporary tax differences related to the asset or liability shall be recognized during the last tax period according to the standard procedure established by this Act. Article 66 (1) and (2) herein shall apply upon determination of the tax financial result.

Assets and Liabilities Transferred under Item 3 of Article 139 Herein

Article 143. (1) The assets and liabilities referred to in Item 3 of Article 139 herein shall be valued for tax purposes at the receiving companies at the value of the said assets and liabilities determined according to national accounting legislation.

(2) The tax depreciable assets referred to in Item 3 of Article 139 herein shall be posted in the tax depreciation schedule according to the standard procedure established by this Act.

Carry-Forward of Tax Losses

Article 144. (1) Upon transformation under this Section, the receiving companies shall not have the right to carry forward the tax losses formed by the transferring companies.

(2) Paragraph (1) shall not apply in the cases of merger by acquisition or merger by the formation of a new company under this Section, as a result of which a permanent establishment of a company from another Member State of the European Union commences the legal existence thereof in the country and the said company has not had a permanent establishment in the country before the transformation.

Tax Losses by Permanent Establishment

Article 145. (1) Any tax losses not carried forward at the time of transformation, formed by a permanent establishment of a resident company in another Member State of the European Union, shall not be deducted.

(2) Upon determination of the tax financial result, the accounting financial result shall be credited with the tax losses carried forward at the time of transformation, formed by a permanent establishment of a resident company in another Member State of the European Union, which have not been deducted from the profits of the permanent establishment.

Regulation of Thin Capitalisation and Application of Interest Deduction Limitation Rule

(Heading amended, SG No. 98/2018, effective 1.01.2019)

Article 146. (1) (Amended, SG No. 98/2018, effective 1.01.2019) Upon transformation under this Section, the receiving companies shall not have the right to recognise for tax purposes any unrecognised expenses on interest payments and/or any unrecognised exceeding borrowing costs in the transferring companies resulting from the application of the thin capitalisation regime or,

respectively, of the interest deduction limitation rule.

(2) Paragraph (1) shall not apply in the cases of merger by acquisition or merger by the formation of a new company under this Section, as a result of which a permanent establishment of a company from another Member State of the European Union commences the legal existence thereof in the country and the said company has not had a permanent establishment in the country before the transformation.

Tax Prepayments by Receiving Companies

Article 147. (1) (Amended, SG No. 94/2012, effective 1.01.2013) In the year of transformation, the receiving companies shall make the same type of tax prepayments as before the transformation, and newly incorporated companies shall make quarterly tax prepayments.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) In the cases referred to in Article 144 (2) herein, the receiving companies shall make monthly or quarterly tax prepayments according to the standard procedure established by this Act on the basis of the net turnover of the transferring companies.

Write-Off of Holding

Article 148. (1) Where a receiving company has a holding in the capital of a transferring company, the accounting profits or losses in connection with the write-off of the said holding in the capital shall not be recognized for tax purposes.

(2) The income referred to in Paragraph (1) shall not be subject to levy of a tax withheld at source according to the procedure established by Part Three herein.

Tax Treatment of Shareholders of Members of Transferring Companies and Acquired Companies

Article 149. (1) The accounting profits or losses originating at shareholders or members of transferring companies or acquired companies as a result of an acquisition of shares or interests in receiving or acquiring companies shall not be recognized for tax purposes in the year of accounting for the said profits or losses and shall form a temporary tax difference from a subsequent valuation.

(2) The temporary tax differences, originating at the shareholders or members before the transformation, which are related to the written off shares or interests in the transferring companies or acquired companies, shall not be recognized for tax purposes at the time of transformation.

(3) The temporary tax differences referred to in Paragraphs (1) and (2) shall be considered as having originated in respect of the newly acquired shares or interests and shall be recognized according to the standard procedure established by this Act.

(4) The income accruing to any non-resident legal persons which are shareholders or members of resident transferring or acquired companies from acquisition of shares or interests as a result of transformation shall be taxed or shall be exempted from tax withheld at source according to the standard procedure established by this Act at the date of transformation.

(5) The tax withheld at source referred to in Paragraph (4) shall be due from the shareholder or member upon disposition in any form whatsoever of the newly acquired shares or interests and shall be remitted within sixty days after any such disposition.

(6) (Amended, SG No. 110/2007) On or before the 31st day of January of the relevant year, the non-resident legal persons referred to in Paragraphs (4), (5) and (8) shall submit a declaration to the Sofia Territorial Directorate of the National Revenue Agency, certifying thereby that the said persons have not disposed of the shares or interests newly acquired as a result of the transformation. Any such persons shall submit the declaration referred to in sentence one annually, until the year of disposition

of the newly acquired shares or interests.

(7) Upon failure to submit the declaration referred to in Paragraph (6) when due, in addition to becoming liable to the administrative sanction, for the purposes of this Act the non-resident legal person shall furthermore be presumed to have disposed of the newly acquired shares or interests.

(8) (New, SG No. 110/2007) Upon acquisition of shares or interests as a result of transformation through partial division, income shall not accrue to a non-resident legal person, unless shared of the transferring company are cancelled upon the partial division. For the purposes of assessment of the tax at source upon subsequent disposition of the shares or interests referred to in sentence one, the documented cost of acquisition of the said shares or interests shall be zero.

Taxation of Transferring Company upon Transfer of Assets

Article 150. (1) The accounting profits or losses originating at a transferring company as a result of a transfer of assets shall not be recognized for tax purposes in the year of accounting for the said profits or losses and shall form a temporary tax difference from a subsequent valuation.

(2) The temporary tax difference referred to in Paragraph (1) shall be considered as having originated in respect of the newly acquired shares or interests and shall be recognized for tax purposes according to the standard procedure established by the Act.

(3) Where the shares or interests referred to in Paragraph (1) are held by the transferring company for an uninterrupted period of at least five years, the temporary tax difference referred to in Paragraph (1) shall not be recognized for tax purposes at the time of transformation and during the succeeding years.

Tax Evasion

Article 151. The provisions of this Section shall not apply where the transformation has as its objective tax evasion or tax avoidance. Tax evasion shall be presumed, inter alia, where the transformation is not carried out for valid commercial reasons or where the said transformation conceals the disposition of assets.

Section III

Transfer of Registered Office of European Company or European Cooperative Society

Applicability

Article 152. Within the meaning given by this Chapter, "transfer of the registered office of a European company or a European cooperative society" shall be an operation whereby:

1. the company, without being dissolved or without incorporation of a new legal person, transfers the registered office thereof from the country to another Member State of the European Union, according to Article 8 of Council Regulation (EC) No. 2157/2001 or according to Council Regulation (EC) No. 1435/2003, while the assets and liabilities of the company must remain effectively connected with the permanent establishment in the country and the results of exploitation of the said assets must be involved upon determination of the tax financial result, or

2. the company, without being dissolved or without incorporation of a new legal person, transfers the registered office thereof from another Member State of the European Union to the country according to Article 8 of Council Regulation (EC) No. 2157/2001 or according to Council Regulation (EC) No.

1435/2003, while the assets and liabilities of the company must remain effectively connected with the company which commences the legal existence thereof as a result of this operation, and the results of exploitation of the said assets must be involved upon determination of the tax financial result.

Legal Succession

Article 153. (1) For tax purposes, upon transfer of the registered office of a European company or a European cooperative society under the terms established by Item 1 of Article 152 herein:

1. all acts performed by the said company for the current period and the prior periods, including the adjustments of the tax financial result, shall be considered as having been performed by the permanent establishment;

2. corporation tax shall not be levied on the company for the period from the beginning of the year until the date of the operation;

3. corporation tax shall not be levied on the permanent establishment for the period commencing at the beginning of the year according to the standard procedure, and the activity carried out by the company in the year of the operation shall be considered as having been carried out by the permanent establishment;

4. the permanent establishment shall have the right to carry forward any tax losses not carried forward and formed by the company according to the standard procedure.

(2) For tax purposes, upon transfer of the registered office of a European company or a European cooperative society under the terms established by item 2 of Article 152 herein:

1. all acts performed by the said permanent establishment for the current period and the prior periods, including the adjustments of the tax financial result, shall be considered as having been performed by the company;

2. corporation tax shall not be levied on the permanent establishment for the period from the beginning of the year until the date of the operation;

3. corporation tax shall not be levied on the company for the period commencing at the beginning of the year according to the standard procedure, and the activity carried out by the permanent establishment in the year of the operation shall be considered as having been carried out by the company;

4. the company shall have the right to carry forward any tax losses not carried forward and formed by the permanent establishment according to the standard procedure.

Provisions Applicable upon Transfer of Registered Office

Article 154. The provisions of Section II of this Chapter in respect of the assets and liabilities, profits and losses and temporary tax differences shall furthermore apply upon a transfer of the registered office of a European company or a European cooperative society.

Chapter Twenty

TAX REGULATION UPON TRANSFERS BETWEEN DIVISION OF ENTERPRISE SITUATED IN COUNTRY AND ANOTHER DIVISION OF SAME ENTERPRISE SITUATED OUTSIDE COUNTRY
(Heading amended, SG No. 96/2019, effective 1.01.2020)

Transfer of Assets/Activity to Another Division of Enterprise Situated Outside Country

Article 155. (Amended, SG No. 96/2019, effective 1.01.2020) (1) The taxable person shall apply Articles 155a to 155e and Article 157 herein in the cases where the Republic of Bulgaria wholly or partially loses the right to tax the result of a subsequent disposition of transferred assets/businesses upon:

1. transfer of assets/business from the head office of the taxable person in the country to a permanent establishment thereof situated outside the country;

2. transfer of assets/business from a permanent establishment of the taxable person in the country to another division of the enterprise situated outside the country;

3. transfer of assets/business upon transfer of the tax residence of the taxable person from the Republic of Bulgaria to another jurisdiction; this item shall not apply with regard to any assets which remain effectively connected with a permanent establishment in the country;

4. transfer of a business carried on through a permanent establishment in the country to another jurisdiction.

(2) The Republic of Bulgaria shall wholly lose the right to tax the result of a subsequent disposition of transferred assets/businesses in the cases where the taxable person:

1. transfers assets/business from the head office thereof in the country to a permanent establishment thereof situated outside the country and, under a convention for the avoidance of double taxation, the method of exemption with progression is applied in respect of the profits realised through the permanent establishment concerned;

2. transfers assets/business from a permanent establishment thereof in the country to another division of the enterprise situated outside the country;

3. transfers the tax residence thereof from the Republic of Bulgaria to another jurisdiction, including for the assets which are in other divisions of the enterprise situated outside the country.

(3) The Republic of Bulgaria shall partially lose the right to tax the result of a subsequent disposition of transferred assets/business where the taxable person transfers assets/business from the head office thereof in the country to a permanent establishment thereof and the applicable method of avoidance of double taxation in respect of the profits realised through the permanent establishment concerned is the credit method.

Transfer of Assets

Article 155a. (New, SG No. 96/2019, effective 1.01.2020) (1) In the cases of transfer of assets under Article 155 herein, upon determination of the tax financial result, the accounting financial result shall:

1. be credited with the positive difference between the market price and the value for tax purposes of the transferred asset at the time of the transfer;

2. be debited with the negative difference between the market price and the value for tax purposes of the transferred asset at the time of the transfer.

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

1. applicable to tax depreciable assets: the tax value of the asset at the time of the transfer;

2. applicable to assets which are not tax depreciable assets: the accounting value of the asset at the time of the transfer:

(a) debited with the amount of the temporary tax difference related to the asset: in the cases where the accounting financial result would have been credited with the said amount upon determination of the tax financial result if the taxable person would have disposed of the asset or, respectively, credited with the amount of the temporary tax difference related to the asset: in the cases where the accounting financial result would have been debited with the said amount upon determination of the tax financial result if the taxable person would have disposed of the asset, and

(b) debited with the amount of the subsequent valuations reserve (revaluation reserve) for the asset where the said reserve is a positive quantity or, respectively, credited with the amount of the said reserve where the said result is a negative quantity; this littera shall not apply to the subsequent valuations reserve for financial assets of financial institutions where the accounting financial result has been adjusted according to the procedure established by Article 97 herein by the profits and losses from those subsequent valuations.

(3) In the cases where the transferred asset is written off as a result of the transfer:

1. upon determination of the tax financial result, the accounting financial result shall not be adjusted for the temporary tax difference which is related to the transferred asset and which arose before the transfer (the said tax difference shall be disregarded), and

2. Article 45 and Article 66 (1) and (2) herein shall not apply in respect of the transferred asset.

(4) In the 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. applicable to tax depreciable assets: the tax depreciation charged for the asset shall be adjusted so that after the adjustment the tax value of the asset will be equal to the market price thereof at the time of the transfer; in case the tax depreciation charged for the asset is insufficient to achieve the equality under the foregoing sentence, the tax depreciable value of the asset shall likewise be adjusted for the amount of the shortfall; where the asset is not available in the tax depreciation schedule, the taxable person shall post the asset to the tax depreciation schedule at a tax depreciable value equal to the market price of the said asset at the time of the transfer;

2. applicable to assets which are not tax depreciable assets: the difference between the market price of the transferred asset and the value for tax purposes of the said asset at the time of the transfer shall form a temporary tax difference from a subsequent valuation or the temporary tax difference which is related to the asset and which arose before the transfer shall be adjusted thereby.

Transfer of Business

Article 155b. (New, SG No. 96/2019, effective 1.01.2020) (1) In the cases of transfer of a business under Article 155 herein, upon determination of the tax financial result, the accounting financial result shall:

1. be credited with the positive difference between the market price of the transferred business and the value for tax purposes of the transferred assets, less the value for tax purposes of the transferred liabilities at the time of the transfer;

2. be debited with the negative difference between the market price of the transferred business and the value for tax purposes of the transferred assets, less 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 arrived at according to the procedure established by Article 155a (2) herein.

(3) "Value for tax purposes of a transferred liability" shall be the accounting value of the liability at the time of the transfer less the amount of the temporary tax difference related to the liability: in the cases where the accounting financial result would have been debited with the said amount upon determination of the tax financial result if the taxable person would have extinguished the liability or, respectively, credited with the amount of the temporary tax difference related to the liability: in the cases where the accounting financial result would have been credited with the said amount upon determination of the tax financial result if the taxable person would have extinguished the liability.

(4) In the cases where the transferred asset/liability is written off as a result of the transfer:

1. upon determination of the tax financial result, the accounting financial result shall not be adjusted for the temporary tax difference which is related to the transferred asset/liability and which arose before the transfer (the said tax difference shall be disregarded), and

2. Article 45 and Article 66 (1) and (2) herein shall not apply in respect of the transferred asset.

(5) In the cases where the transferred asset/liability is not written off as a result of the transfer, the following adjustments shall be made at the time of the transfer:

1. applicable to tax depreciable assets: the adjustment shall be made according to the procedure established by Item 1 of Article 155a (4) herein;

2. applicable to assets which are not tax depreciable assets: the adjustment shall be made according to the procedure established by Item 2 of Article 155a (4) herein;

3. applicable to liabilities: the difference between the market price of the transferred liability and the value for tax purposes of the said liability at the time of the transfer shall form a temporary tax difference from a subsequent valuation or the temporary tax difference which is related to the liability and which arose before the transfer shall be adjusted thereby.

Temporary Transfer of Assets

Article 155c. (New, SG No. 96/2019, effective 1.01.2020) (1) Article 155 herein shall not apply where the transfer of assets is for a period not exceeding 12 months and provided that the transfer:

1. is related to transactions for the financing of securities, or

2. is related to assets posted as collateral, or

3. takes place in order to meet prudential capital requirements or for the purpose of liquidity management.

(2) In case the assets referred to in Paragraph (1) do not revert to the Republic of Bulgaria within 12 months from the time of the transfer, the provisions of Article 155 and Chapter Twenty herein shall apply accordingly.

Remittance of Part of Corporate Tax Related to Transfer of Assets to European Union Member State or to Another State that is Party to Agreement on European Economic Area

Article 155d. (New, SG No. 96/2019, effective 1.01.2020) (1) The taxable person may defer the payment of the part of the corporate tax due as a result of an occasional or non-regular transfer of assets/business under Article 155 herein, which may not exceed the corporate tax due for the relevant

tax period, where:

1. the taxable person transfers assets/business from the head office thereof in the country to a permanent establishment thereof situated in a Member State of the European Union or in another State that is party to the Agreement on the European Economic Area;

2. the taxable person transfers assets/business from a permanent establishment thereof in the country to another division of the enterprise situated in a Member State of the European Union or in another State that is party to the Agreement on the European Economic Area;

3. the taxable person transfers assets/business upon transfer of the tax residence thereof from the Republic of Bulgaria to a Member State of the European Union or to another State that is party to the Agreement on the European Economic Area;

4. the taxable person transfers a business carried on through a permanent establishment in the country to a Member State of the European Union or to another State that is party to the Agreement on the European Economic Area.

(2) Paragraph (1) shall apply to other States that are parties to the Agreement on the European Economic Area only provided there is an agreement on the mutual assistance for the recovery of tax claims, equivalent to the mutual assistance provided for in Council Directive 2010/24/EU of 16 March 2010 concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures (OJ L 84/1 of 31 March 2010), hereinafter referred to as "Directive 2010/24/EU", which has been concluded and has entered into force with the Republic of Bulgaria or with the European Union.

(3) The part of corporate tax due as a result of a transfer of assets/business under Paragraph (1) shall be determined by multiplying the sum total of the excess of the credits over the debits under Article 155a (1) herein and the excess of the credits over the debits under Article 155b (1) in respect of the transferred assets/businesses during the year for which a deferral is applied, by the tax rate.

(4) The deferred amount to be remitted under Paragraph (1) shall be allocated among the transferred assets/businesses using the following formula:

$$A = B \times \frac{C}{D}$$

A shall be the part of the deferred amount to be remitted under Paragraph (1), allocated to the relevant transferred asset/business;

B shall be the deferred amount to be remitted under Paragraph (1);

C shall be the positive difference under Item 1 of Article 155a (1) herein in respect of the relevant transferred asset or, respectively, the positive difference under Item 1 of Article 155b (1) herein in respect of the relevant transferred business;

D shall be the sum total of the positive differences under Item 1 of Article 155a (1) herein and the positive differences under Item 1 of Article 155b (1) herein in respect of all transferred assets/businesses during the year for which a deferral is applied.

(5) The deferred amount to be remitted under Paragraph (4), allocated to each transferred asset/business, shall be remitted in five equal annual instalments. The first instalment shall be remitted within the time limit for the remittance of the corporate tax for the year of the transfer. The remaining instalments shall be remitted during the next four successive years within the time limit for the remittance of the corporate tax for the relevant year. The taxable person shall owe interest on the instalments referred to in the foregoing sentence according to the Interest on Taxes, Fees and Other State Receivables Act.

(6) The taxable person shall exercise the right to deferral under Paragraph (1) by the annual tax return for the year of occurrence of the circumstance referred to in Paragraph (1), and the existence of the said circumstance shall be declared in the said return. Upon request by the revenue authorities, the person shall be obliged to present evidence of the existence of the circumstance.

(7) The deferred amount to be remitted under Paragraph (4), allocated to the relevant asset/business, which has not become recoverable, shall become immediately recoverable upon the occurrence of one of the following circumstances:

1. the person sells or otherwise disposes of a transferred asset/business;

2. the person carries out a subsequent transfer of a transferred asset to a State outside the European Union;

3. the tax residence of the person is subsequently transferred, or the business is subsequently transferred to a State outside the European Union;

4. the person is subject to bankruptcy proceedings or is placed in liquidation;

5. the person fails to remit a due instalment within 12 months after the expiry of the time limit for

remittance under Paragraph (4) for the relevant instalment.

(8) Items 2 and 3 of Paragraph (7) shall not apply where the subsequent transfer of an asset or tax residence is to any States that are parties to the Agreement on the European Economic Area and that have an agreement on the mutual assistance for the recovery of tax claims, equivalent to the mutual assistance provided for in Directive 2010/24/EU, which has been concluded and has entered into force with the Republic of Bulgaria or with the European Union.

(9) Upon the occurrence of any of the circumstances under Paragraph (7), within 14 days from the occurrence of the relevant circumstance, the person shall notify in writing the National Revenue Agency territorial directorate exercising competence over the place of registration or over the place where the said person was registered as a taxable person.

(10) Paragraphs (1) to (9) shall not apply in respect of any transferred asset/business for which the year of the transfer referred to in Paragraph (1) is the same as the year of occurrence of any circumstance under Paragraph (7).

Transfer of Assets from Another Division of Enterprise Situated Outside Country

Article 155e. (New, SG No. 96/2019, effective 1.01.2020) (1) Upon transfer of a tax depreciable asset from a division of the enterprise situated outside the country to a division of the enterprise situated in the country, the tax depreciable value whereat the asset is posted to the tax depreciation schedule shall be the market price of the said asset at the time of the transfer.

(2) Upon transfer of a tax depreciable asset from a division of the enterprise situated outside the country to a division of the enterprise situated in the country, in the case the said asset is available in the tax depreciation schedule at the time of the transfer and the transfer of the asset was subject to levy of a tax in another Member State of the European Union, in accordance with Article 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 taxable person shall make an adjustment in the tax depreciation charged for the asset so that after the adjustment the tax value of the asset will be equal to the value used as a market price upon the application of Directive (EU) 2016/1164 in the other Member State. In case the tax depreciation charged for the asset is insufficient to achieve the equality under the foregoing sentence, the tax depreciable value of the asset shall likewise be adjusted for the amount of the shortfall.

(3) Upon transfer of an asset which is not a tax depreciable asset from a division of the enterprise situated outside the country to a division of the enterprise situated in the country, and in case there is a difference, at the time of the transfer, between the market price of the asset and the accounting value whereat the asset is recognised according to accounting legislation in the country, the said difference shall form a temporary tax difference from a subsequent valuation.

(4) Upon transfer of an asset which is not a tax depreciable asset from a division of the enterprise

situated outside the country to a division of the enterprise situated in the country, in case the said asset is recognised for accounting purposes before the transfer according to accounting legislation in the country and the transfer of the asset was subject to levy of a tax in another Member State of the European Union, in accordance with Article 5 of Directive (EU) 2016/1164, the difference between the market price of the asset upon the application of Directive (EU) 2016/1164 in the other Member State of the European Union and the market price of the asset referred to in Article 155a (1) herein at the time of the previous transfer from the country shall form a temporary tax difference from a subsequent valuation or the temporary tax difference, which is related to the asset and which arose before the transfer, shall be adjusted thereby.

(5) In the cases under Paragraphs (1) to (4), where there is a difference between the price determined as a market price in the other State and the price determined as a market price by the revenue authority, the price determined by the revenue authority shall apply.

(6) Paragraphs (1) and (3) shall furthermore apply where a permanent establishment commences the legal existence thereof in the country as a result of the transfer of assets.

Transfer of Services

Article 156. (Amended, SG No. 96/2019, effective 1.01.2020) (1) In the cases of transfer of a service from a division of the enterprise situated in the country to another division of the enterprise situated outside the country, upon determination of the tax financial result for the year of the transfer, the accounting financial result shall be credited with the excess of the market price of the service at the time of the transfer over the cost of the said service or, respectively, shall be debited with the excess of the cost of the service over the market price thereof at the time of the transfer, in the cases where an accounting income at market value has not been accounted for as a result of the transfer and:

1. the particular transfer coincides with the normal transactions entered into through that division of the enterprise situated in the country and aimed at third parties, or

2. the ordinary business carried on through that division of the enterprise situated in the country consists in similar transfers to the other divisions of the enterprise, or

3. the service is intended for provision in its altered or unaltered state to another person.

(2) Where, as a result of a transfer of a service from a division of the enterprise situated in the country to another division of the enterprise situated outside the country, which does not fall under the cases referred to in Items 1 to 3 of Paragraph (1), an asset has been written off, the accounting financial result shall not be adjusted for the temporary tax difference which is related to the said asset and which arose before the transfer (the said tax difference shall be disregarded).

(3) In the cases of transfer of a service from a division of the enterprise situated outside the country to another division of the enterprise situated in the country, where there is a difference between the

market price of the service at the time of the transfer and the expense accounted for or the expense that will be accounted for in connection with the service:

1. the accounting financial result shall be debited with the said difference upon determination of the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, where the said difference is a positive quantity;

2. the accounting financial result shall be credited with the said difference upon determination of the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, where the said difference is a negative quantity.

(4) Paragraph (3) shall apply in the cases where:

1. the particular transfer coincides with the normal transactions entered into through that division of the enterprise situated outside the country and aimed at third parties, or

2. the ordinary business carried on through that division of the enterprise situated outside the country consists in similar transfers to the other divisions of the enterprise, or

3. the service is intended for provision in its altered or unaltered state to another person.

(5) Upon transfer of a service from a division of the enterprise situated outside the country to another division of the enterprise situated in the country, in cases other than those referred to in Paragraph (4) where there is a difference between the amount of the expense accounted for or the expense which will be accounted for in connection with the service and the cost of the said service:

1. the accounting financial result shall be credited with the said difference upon determination of the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, where the said difference is a positive quantity;

2. the accounting financial result shall be debited with the said difference upon determination of the tax financial result for the year of recognition for tax purposes of the accounting expense in connection with the service, where the said difference is a negative quantity.

(6) Where the transferred service referred to in Paragraphs (3) and (5) is capitalised in the value of a tax depreciable asset, the adjustment of the accounting financial result according to the procedure established by Paragraphs (3) and (5) shall be made upon determination of the tax financial result for the year of the transfer.

(7) Paragraphs (1) to (6) shall furthermore apply in the cases of other transfers carried out between divisions of the same enterprise situated in the country and, respectively, outside the country, which are not transfers of assets/business under Article 155 herein or transfers of services.

Disregarding Accounting Income, Expenses, Profits or Losses

Article 157. (Amended, SG No. 96/2019, effective 1.01.2020) (1) In case any accounting income, expenses, profits or losses have been accounted for as a result of a transfer under Articles 155a and 155b herein, the said income, expenses, profits or losses shall be disregarded.

(2) In case any accounting income, expenses, profits or losses have been accounted for as a result of a transfer which is not a transfer under Articles 155a and 155b herein from a division of the enterprise situated in the country to another division of the enterprise situated outside the country, the said income, expenses, profits or losses shall be disregarded where:

1. the accounting financial result is adjusted according to the procedure established by Article 156 (1) herein, or

2. the conditions of Items 1 to 3 of Article 156 (1) herein are not met.

(3) Item 2 of Paragraph (2) shall not apply to any accounting expenses accounted for by a taxable person as a result of a transfer from the head office thereof in the country to a permanent establishment thereof situated outside the country.

Chapter Twenty-One

TAX REGULATION UPON DISSOLUTION THROUGH LIQUIDATION OR THROUGH ADJUDICATION IN BANKRUPTCY AND UPON DISTRIBUTION OF SHARE IN LIQUIDATION SURPLUS

Section I
General Dispositions

General Provisions

Article 158. (1) (Amended, SG No. 99/2011, effective 1.01.2012, redesignated from Article 158, SG No. 98/2018, effective 1.01.2019) Upon dissolution through liquidation or through adjudication in bankruptcy, for the period until the expungement thereof, the taxable person shall fulfil the obligations thereof according to the standard procedure established by this Act and in compliance with the requirements of this Chapter.

(2) (New, SG No. 98/2018, effective 1.01.2019) Article 92 (4) herein shall apply with regard to the tax returns submitted according to the procedure established by this Chapter where activity was not

carried out within the meaning given by the Accountancy Act during the tax period.

Section II

(Repealed, SG No. 98/2018, effective 1.01.2019)
Corporate Tax upon Dissolution

Article 159. (Repealed, SG No. 98/2018, effective 1.01.2019).

Article 160. (Amended, SG No. 99/2011, effective 1.01.2012, amended and supplemented, SG No. 95/2015, effective 1.01.2016, repealed, SG No. 98/2018, effective 1.01.2019).

Section III

Corporation Tax on Last Tax Period

Last Tax Period

Article 161. (1) (Amended, SG No. 98/2018, effective 1.01.2019) The last tax period of any taxable person dissolved through liquidation or through adjudication in bankruptcy shall commence on the 1st day of January of the year in which the expungement was effected and shall end on the date of expungement.

(2) (Repealed, SG No. 98/2018, effective 1.01.2019).

(3) The last tax period of any permanent establishment of a non-resident person shall commence on the 1st day of January of the year in which the activity of the said establishment was discontinued and shall end on the date of discontinuance of the said activity.

(4) (New, SG No. 95/2009, effective 1.01.2010) The last tax period of any unincorporated association or social insurance fund shall commence on the 1st day of January of the year in which the dissolution was effected and shall end on the date of dissolution.

(5) (Renumbered from Paragraph (4), SG No. 95/2009, effective 1.01.2010) The taxable person shall be liable to corporation tax in respect of the tax profit realized during the last tax period according to the standard procedure established by this Act. The corporation tax due shall be final.

(6) (Renumbered from Paragraph (5), SG No. 95/2009, effective 1.01.2010, repealed, SG No. 96/2019, effective 1.01.2020).

(7) (New, SG No. 98/2018, effective 1.01.2019) The representative of the taxable person during the last tax period: liquidator, trustee in bankruptcy, the representative of a permanent establishment, an unincorporated association or a social insurance fund, shall declare and shall remit the tax due for the said tax period as withheld from the property of the taxable person.

Declaring of Tax on Last Tax Period

Article 162. (1) (Amended, SG No. 98/2018, effective 1.01.2019) The tax return on the last tax period, determined under Article 161 (1) herein, shall be submitted within 30 days from the date of expungement of the taxable person.

(2) (Repealed, SG No. 98/2018, effective 1.01.2019).

(3) (Amended, SG No. 98/2018, effective 1.01.2019) The tax return on the last tax period, as determined under Article 3 (30) herein, shall be submitted within 30 days from the date of cessation of the activity.

(4) (New, SG No. 95/2009, effective 1.01.2010, amended, SG No. 98/2018, effective 1.01.2019) The tax return on the last tax period, as determined under Article 161 (4) herein, shall be submitted within 30 days from the date of dissolution.

(5) (Renumbered from Paragraph (4), SG No. 95/2009, effective 1.01.2010, amended, SG No. 98/2018, effective 1.01.2019) Where the date of expungement upon liquidation or bankruptcy or the cessation of activity of a permanent establishment, or the dissolution of an unincorporated association or social insurance fund precedes the expiry of the time limit for the submission of the annual tax return for the preceding year and the said return has not been submitted, the said return shall be submitted within the time limits referred to in Paragraphs (1), (3) and (4) where the said time periods expire before that time limit.

(6) (Renumbered from Paragraph (5), SG No. 95 of 2009, effective 1.01.2010, amended, SG No. 99/2011, effective 1.01.2012, repealed, SG No. 98/2018, effective 1.01.2019).

Remittance of Tax on Last Tax Period

Article 163. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 98/2018, effective 1.01.2019) (1) The corporate tax due for the last tax period, as determined under Article 161 (1), (3) and (4) herein, shall be remitted within the time limits for declaring of the said tax.

(2) Where the date of expungement upon liquidation or upon bankruptcy or the cessation of activity of a permanent establishment, or the dissolution of an unincorporated association or social insurance fund precedes the expiry of the time limit for the remittance of the annual corporate tax for the preceding year and the said tax has not been remitted, the said tax shall be remitted within the time limits referred to in Paragraph (1) where the said time period expires before that time limit. In such case, Article 161 (7) herein shall apply in respect of the corporate tax for the preceding year.

Article 164. (Repealed, SG No. 98/2018, effective 1.01.2019).

Tax Treatment upon Distribution of Share in Liquidation Surplus or dividend

(Title supplemented, SG No. 94/2010, effective 1.01.2011)

Article 165. (1) (Supplemented, SG No. 94/2010, effective 1.01.2011) The assets distributed as a share in a liquidation surplus or dividend at the time of distribution for tax purposes shall be considered as having been sold by the taxable person at market prices and shall be written off.

(2) (Supplemented, SG No. 94/2010, effective 1.01.2011) In the cases referred to in Paragraph (1), upon determination of the tax financial result, the accounting financial result shall be credited with the profit and shall be debited with the loss arrived at as a difference between the market price of the

assets and the accounting value thereof at the date of distribution of the share in a liquidation surplus or the dividend. The temporary tax differences related to the said assets shall be recognized according to the standard procedure established by the Act. Article 66 (1) and (2) herein shall apply upon determination of the tax financial result.

(3) (Supplemented, SG No. 94/2010, effective 1.01.2011) Any accounting income and expenses, accounted for in connection with the distribution of a share in a liquidation surplus or dividend in the form of assets, shall not be recognized for tax purposes.

Chapter Twenty-Two
RETENTION AND EXEMPTION FROM LEVY OF CORPORATION TAX

(Heading amended, SG No. 105/2014, effective 1.01.2015)

Section I
General Provisions

Concept of Retention

Article 166. (Amended, SG No. 105/2014, effective 1.01.2015) "Corporation tax retention" shall be the right of any taxable person not to remit to the State budget the amounts of corporation tax as assessed according to the procedure established by this Act, which subsist in the patrimony of the taxable person and are spent for purposes prescribed by a law.

General Requirement for Corporation Tax Retention

(Heading amended, SG No. 105/2014, effective 1.01.2015)

Article 167. (1) (Amended, SG No. 105/2014, effective 1.01.2015) Corporation tax shall be retained and, respectively, the accounting financial result shall be debited according to the procedure established by this Chapter, subject to the condition that the taxable person does not incur at the 31st day of December of the relevant year:

1. any coercively enforceable public obligations, and

2. any obligations for sanctions under effective penalty decrees related to violation of statutory instruments regarding public obligations, and

3. any interest payments in connection with a failure to remit the obligations referred to in Items 1 and 2 when due.

(2) Fulfillment of the requirement covered under Paragraph (1) shall be certified by the taxable person in the annual tax return.

Accounting for Retained Corporation Tax

(Heading amended, SG No. 105/2014, effective 1.01.2015)

Article 168. (1) (Amended, SG No. 105/2014, effective 1.01.2015) The corporation tax retained according to the procedure established by this Chapter shall be accounted for in owners' equity.

(2) (Repealed, SG No. 110/2007).

Partial Recognition of Undistributable Income or Expenses

Article 169. (1) The portion of the undistributable income or expenses, corresponding to the activities in respect of which the corporation tax retention is enjoyed, shall be arrived at by multiplying the total amount of the undistributable income or expenses by the proportion of the net sales accruing from the activities in respect of which the corporation tax retention is enjoyed and all net sales.

(2) The undistributable amounts whereby the accounting financial result is adjusted, which cannot be related to any single specific activity and which are associated with the performance of an activity in respect of which a retention is enjoyed, shall be allocated to the activity in respect of which the corporation tax is retained, and the tax financial result in respect of the said activity shall be determined on the basis of the proportion referred to in Paragraph (1).

Declaring of Retained Corporation Tax

(Heading amended, SG No. 105/2014, effective 1.01.2015)

Article 170. (Amended, SG No. 105/2014, effective 1.01.2015) Where any taxable person is allowed to retain corporation tax on different grounds according to the procedure established by this Chapter, the said person shall mandatorily declare in the annual tax return the sequence in which the said person has enjoyed the different grounds for corporation tax retention.

Retention of Additionally Ascertained Corporation Tax

Article 171. (1) Any taxable person, who has been allowed to retain corporation tax in a prior year, shall furthermore have the right to retention in respect of the additionally ascertained undeclared corporation tax for the relevant prior year, subject to the condition that the said person fulfils all requirements provided for in this Chapter for the relevant corporation tax retention.

(2) The time limit for fulfilment of the said requirements shall begin to run as from the date of ascertainment of the additional corporation tax.

(3) (New, SG No. 95/2015, effective 1.01.2016) Paragraph (2) shall not apply to any tax relief constituting regional aid.

Cessation of Right to Retention

Article 172. (1) (Amended, SG No. 105/2014, effective 1.01.2015, SG No. 64/2019, effective 13.08.2019) The right to reduction according to the procedure established by this Chapter shall cease upon transfer of an enterprise under Article 15 of the Commerce Act upon transformation of a taxable person, with the exception of transformation through change of the legal form according to the procedure established by Article 264 of the Commerce Act.

(2) Paragraph (1) shall furthermore apply upon restructuring of cooperative organizations.

(3) (New, SG No. 105/2014, effective 1.01.2014, amended, SG No. 95/2015, effective 1.01.2016) The right to retention under Article 184 herein in conjunction with Article 189 herein shall furthermore cease in the cases where all conditions of this Chapter for applying a tax relief constituting regional aid are not fulfilled.

Non-fulfilment of Requirements

Article 173. (1) (Amended, SG No. 95/2015, effective 1.01.2016, supplemented, SG No. 96/2019, effective 1.01.2020) Where any requirements of this Chapter for use (spending) of retained corporate tax are not fulfilled, the full amount of the said tax shall be due according to the standard procedure

established by this Act for the year for which the said tax applies.

(2) Paragraph (1) shall not apply where, in the cases of transformation, the receiving companies or newly formed companies fulfil the obligations of the transferring companies in compliance with the terms and procedure established by this Chapter, referring to the transferring companies. In the cases referred to in sentence one, the receiving companies or newly formed companies shall incur solidary liability for the retained corporation tax of the transmitting companies.

(3) Paragraph (2) shall furthermore apply upon restructuring of cooperative organizations.

(4) (New, SG No. 95/2015, effective 1.01.2016) The right to retention under Article 184 herein in conjunction with Article 189 herein shall not arise in the cases where all conditions of this Chapter for applying a tax relief constituting regional aid are not fulfilled.

(5) (New, SG No. 95/2015, effective 1.01.2016) Where the non-fulfilment of the conditions for applying a tax relief constituting regional aid occurs during the period of making the relevant initial investment, the corporation tax retained under this relief shall be due according to the standard procedure established by this Act for the year for which the said tax applies.

(6) (New, SG No. 96/2019, effective 1.01.2020) In the cases of a tax relief constituting de minimis aid or State aid for farmers, the corporate tax under Paragraph (1) shall be due according to the standard procedure established by this Act in the following amounts:

1. applicable to a tax relief constituting de minimis aid: in the amount of the excess of the tax retained over the investment referred to in Article 188 (3) herein;

2. applicable to a tax relief constituting State aid for farmers: in the amount of the excess of the tax retained over 50 per cent of the present value of the assets referred to in Item 1 of Article 189b (2) herein, determined by the date of granting the aid; the interest rate for the purpose of determining the present value of the assets shall be the reference interest rate set by the European Commission for the 31st day of December of the year of retention.

Section II
Exemption from Levy of Corporation Tax

Collective Investment Schemes, National Investment Funds and Other Alternative Investment Funds

(Heading amended, SG No. 109/2013, effective 1.01.2014, SG No. 103/2018, effective 1.01.2019)

Article 174. (Amended, SG No. 77/2011, SG No. 109/2013, effective 1.01.2014, SG No. 103/2018, effective 1.01.2019) Any collective investment schemes which have been admitted to public offering in the Republic of Bulgaria, any national investment funds and any alternative investment funds set up for the implementation of financial instruments under funding agreements within the meaning of Article 38 (7) of Regulation (EC) No. 1303/2013 of the European Parliament and of the Council of 17 December 1083/2006 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 (OJ L 347/320 of

20 December 2013) under the Activities of the Collective Investment Schemes and Other Undertakings for Collective Investments Act shall be exempt from the levy of corporate tax.

Special Purpose Investment Companies

Article 175. Any special purpose investment company under the Special Purpose Investment Companies Act shall be exempt from the levy of corporation tax.

Bulgarian Red Cross

Article 176. The Bulgarian Red Cross shall be exempt from the levy of corporation tax.

Article 176a. (New, SG No. 1/2014, effective 1.01.2014) (1) Corporation tax shall not be levied on the organizers of games of chance for which stamp duty is due under Article 30 (3) of the Gambling Act for this activity.

(2) Corporation tax shall be levied on the persons referred to in Paragraph (1) for all other activities.

Section III
General Tax Reliefs

Tax Incentives upon Hiring of Unemployed Persons

Article 177. (1) Any taxable person shall have the right to debit the accounting financial result thereof upon determination of the tax financial result, where the said person has hired a person under an employment relationship for not less than twelve successive months who, at the time of the hiring thereof, was:

1. registered as unemployed for more than one year, or

2. a registered unemployed person who had attained the age of 50 years, or

3. an unemployed person of reduced working capacity.

(2) The debiting shall be performed by the amounts paid for labour remuneration and the contributions remitted for the account of the employer to the public social insurance funds and the National Health Insurance Fund during the first twelve months after the hiring. The said debiting shall be performed on a single occasion during the year wherein the twelve-month period lapses.

(3) (Supplemented, SG No. 16/2013) Debiting shall not be performed in respect of any amounts received under the Employment Promotion Act and according to the procedure established by Article 22e of the Investment Promotion Act.

(4) (Repealed, SG No. 106/2008, effective 1.01.2009).

Tax Incentives upon Grant of Scholarships

Article 177a. (New, SG No. 68/2013, effective 1.01.2014) (1) The accounting expenses on a scholarship instituted and granted to a pupil pursuing secondary education or to a student at a school in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area for a period of not less than twelve months and not more than 24 months shall be recognized for tax purposes where the following conditions are simultaneously fulfilled at the time of the grant of the scholarship:

1. the scholarship grantee is a pupil in the last two grades of pursuit of secondary education or a student in the last two years of pursuit of an educational degree of bachelor or master and has not attained the age of 25 years;

2. the occupation of the scholarship grantee is applicable in the activity of the taxable person;

3. by the contract for grant of the scholarship, the taxable person has undertaken to employ the scholarship grantee for a period of not less than the total number of months for which the scholarship is granted.

(2) The taxable person may institute and grant a scholarship for one or more pupils or students according to the procedure established by Paragraph (1).

(3) In case the taxable person fails to employ the scholarship grantee until the end of the calendar year next succeeding the year of completion of training, upon determination of the tax financial result for the year of occurrence of the said circumstance, the accounting financial result shall be credited with the amount of the scholarship as granted.

(4) In case the taxable person employs the scholarship grantee for part of the period referred to in Item 3 of Paragraph (1), upon determination of the tax financial result for the year of termination of the legal relationship, the accounting financial result shall be credited with the part of the scholarship granted in proportion to the unfulfilled obligation referred to in Item 3 of Paragraph (1).

(5) In the cases where the scholarship grantee refuses to commence work until the end of the calendar year next succeeding the year of completion of training, upon determination of the tax financial result for the year of occurrence of the said circumstance, the accounting financial result shall be credited with:

1. the full amount of the scholarship as granted, where no compensation in favour of the taxable person under the scholarship as granted has been agreed;

2. the difference between the scholarship as granted and the compensation as agreed, where the compensation has been agreed in an amount smaller than the scholarship as agreed.

Article 177b. (New, SG No. 68/2013, effective 1.01.2014) Article 177 herein shall not apply to any persons hired under an employment relationship whereto Article 177a herein has been applied.

Enterprises Hiring People with Disabilities

Article 178. (1) (Amended, SG No. 105/2018, effective 1.01.2019) Any legal person, which is a specialised enterprise or a cooperative within the meaning given by the Persons with Disabilities Act, which is affiliated to the nationally representative organisations of and for people with disabilities by the 31st day of December of the relevant year, shall be allowed to retain 100 per cent of the corporate tax [due therefrom] if not less than:

1. 20 per cent of the total number of employees are blind and visually impaired persons, or

2. 30 per cent of the total number of employees are hearing-impaired persons, or

3. 50 per cent of the total number of employees are people with other disabilities.

(2) The legal persons referred to in Paragraph (1) shall be allowed to retain the corporation tax due therefrom in proportion to the number of people with disabilities or occupational rehabilitees to the total of number of employees, where the conditions for the number of hired persons under Paragraph (1) are not fulfilled.

(3) Retention shall be admissible where the tax retained is spent entirely on integration of people with disabilities or on the maintenance and creation of jobs for occupational rehabilitees during the two years next succeeding the year for which the retention is enjoyed. The said resources shall be planned, spent and accounted for by ordinances of the national organizations of and for people with disabilities in consultation with the Minister of Finance.

Article 179. (Repealed, SG No. 95/2009, effective 1.01.2010).

Article 180. (Repealed, SG No. 95/2009, effective 1.01.2010).

Social and Health Insurance Funds

Article 181. (1) Any social and health insurance fund, which has been established by a law, shall be allowed to retain 50 per cent of the corporation tax due therefrom in respect of the economic activity thereof which is directly related or auxiliary to the implementation of the core activity thereof.

(2) Retention shall be admissible where the tax retained is invested in the core activity not later than before the end of the year next succeeding the year for which the retention is enjoyed.

Section IV

De Minimis or State Aid in the Form of Tax Reliefs (Heading amended, SG No. 110/2007, effective 1.01.2007, SG No. 105/2014, effective 1.01.2015)

Taxable Persons which May Not Enjoy Tax Reliefs

Article 182. (1) (Redesignated from Article 182 and amended, SG No. 110/2007, effective 1.01.2007) A tax relief constituting regional aid shall not apply in respect of any taxable persons which:

1. (amended, SG No. 105/2014, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) are active in the sectors of transport, coal, steel, energy, synthetic fibres, fisheries and aquaculture, primary production, processing and marketing of agricultural products listed in Annex I to the Treaty on the Functioning of the European Union, for the respective activity, or

2. (amended, SG No. 110/2007, effective 1.01.2007) are placed in liquidation, or are subject to rehabilitation proceedings, or

3. (supplemented, SG No. 105/2014, effective 1.01.2014, amended, SG No. 22/2015, effective 1.01.2014) are defined as undertakings in difficulty, or

4. (new, SG No. 105/2014, effective 1.01.2014, amended, SG No. 95/2015, effective 1.01.2016) at company or group level, close down the same or similar productive activity in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area in the two years preceding the date of submission of an application form for aid or where at the time of submission of any such form the taxable persons plan to close down such a

productive activity within two years after the initial investment, for which corporation tax is to be retained, is completed.

(2) (New, SG No. 110/2007, effective 1.01.2007) A tax relief constituting de minimis aid shall not apply in respect of:

1. any taxable persons which are active in the fishery and aquaculture sector according to Council Regulation (EC) No. 104/2000 on the common organization of the markets in fishery and aquaculture products;

2. (amended, SG No. 105/2014, effective 1.01.2014) any taxable persons which are active in the primary production of agricultural products listed in Annex I to the Treaty on the Functioning of the European Union;

3. (amended, SG No. 105/2014, effective 1.01.2014) any taxable persons which are active in the primary production of agricultural products listed in Annex I to the Treaty on the Functioning of the European Union;

4. (repealed, SG No. 105/2014, effective 1.01.2014);

5. (repealed, SG No. 105/2014, effective 1.01.2014);

6. (amended, SG No. 105/2014, effective 1.01.2014) the investment in any road freight transport vehicles, where provided by a taxable person performing road freight transport for hire or reward;

7. investment in any assets used in export-related activities towards third countries or Member States.

(3) (New, SG No. 110/2007, effective 1.01.2007) Any tax relief constituting regional aid may not be enjoyed, either, by a taxable person in respect of which any of the conditions under Paragraph (1) occurs during the period of implementation of the relevant initial investment.

(4) (New, SG No. 110/2007, effective 1.01.2007) Any tax relief constituting de minimis aid may not be enjoyed, either, by a taxable person in respect of which a condition under Paragraph (2) occurs during the period of investment.

(5) (New, SG No. 95/2009, effective 1.01.2010, amended, SG No. 12/2015, SG No. 22/2015, effective 1.01.2014) Any tax relief constituting State aid for farmers shall not apply in respect of any:

1. undertakings in difficulty;

2. taxable persons constituting large enterprises;

3. investments in irrigation.

(6) (New, SG No. 22/2015, effective 1.01.2014) The tax reliefs constituting regional aid and State aid for farmers shall not apply in respect of any taxable persons which have not complied with a decision of the European Commission on recovery of illegal and incompatible State aid received and part of the recovery remains outstanding.

Municipalities with Unemployment Rate Above National Average

Article 183. (1) (Amended, SG No. 1/2014, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) The municipalities where the rate of unemployment is higher than the national average for the purposes of Item 1 of Article 184 herein shall be designated annually by an order of the Minister of Finance on a motion by the Minister of Labour and Social Policy, which shall be promulgated in the State Gazette.

(2) (Repealed, SG No. 95/2009, effective 1.01.2010).

(3) (Amended, SG No. 95/2009, effective 1.01.2010) A municipality whereof the administrative centre is situated in another municipality shall be included in the list referred to in Paragraphs (1) on the basis of the average weighted level of unemployment in the relevant municipalities, determined on the basis of the size of the economically active population therein.

(4) (New, SG No. 95/2015, effective 1.01.2016) The motion by the Minister of Labour and Social Policy referred to in Paragraph (1) for each year shall be submitted to the Ministry of Finance not later than the 31st day of January of the next succeeding year.

(5) (New, SG No. 95/2015, effective 1.01.2016) The order refered to in Paragraph (1) shall be issued within three working days from the receipt of the motion by the Minister of Labour and Social Policy.

Tax Relief for Carrying Out Manufacturing Activities in Municipalities with Unemployment Rate Above National Average

Article 184. (Amended, SG No. 110/2007, effective 1.01.2007) Any taxable person shall be allowed to retain up to 100 per cent of the corporation tax due therefrom in respect of the tax profit derived thereby from the manufacturing activities carried out, including processing of materials supplied by customers, where the following conditions are simultaneously fulfilled:

1. (amended, SG No. 100/2013, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) the taxable person:

(a) carries out a productive activity solely in municipalities where the rate of unemployment for the year preceding the current year was by 25 per cent or more higher than the national average for the same period: in the cases of de minimis aid;

(b) carries out a productive activity implementing an initial investment project solely in municipalities where the rate of unemployment for the year preceding the year during which an application form for aid is submitted was by 25 per cent or more higher than the national average for the same period: in the cases of regional aid;

2. (new, SG No. 100/2013, effective 1.01.2014) the taxable person maintains not fewer than ten jobs during the entire tax period, with at least 50 per cent of the said jobs being engaged directly in the manufacturing activities carried out;

3. (new, SG No. 100/2013, effective 1.01.2014) during the entire tax period not less than 30 per cent of the staff are persons with a permanent address in municipalities referred to in Item 1;

4. (amended, SG No. 110/2007, effective 1.01.2007, renumbered from Item 2, SG No. 100/2013, effective 1.01.2014) the conditions covered under:

(a) Article 188 - in the cases of de minimis aid, or

(b) Article 189 - in the cases of regional aid are fulfilled.

Specific Cases of Retention

Article 185. (Amended, SG No. 95/2015, effective 1.01.2016) (1) Where a municipality drops out of the scope of municipalities referred to in Article 183 herein as a result of an increase in employment, the person which has acquired the right to corporation tax retention under Article 184 in conjunction with Article 188 herein shall preserve the said right during the next five successive years, reckoned from the year during which the region drops out of the list, subject to fulfilment of the rest of the

conditions for retention.

(2) The person which has acquired a right to corporation tax retention under Article 184 in conjunction with Article 189 herein shall preserve the said right in respect of the initial investment project for the tax periods specified in the order referred to in Item 1 (b) of Article 189 herein of the Invest Bulgaria Agency but not later than 2020.

Article 186. (Amended, SG No. 110/2007, effective 1.01.2007, repealed, SG No. 95/2009, effective 1.01.2010).

Article 187. (Amended and supplemented, SG No. 110/2007, effective 1.01.2007, repealed, SG No. 94/2010, effective 1.01.2011).

Tax Relief Constituting De Minimis Aid

Article 188. (Amended, SG No. 110/2007, effective 1.01.2007) (1) (Amended, SG No. 106/2008, effective 1.01.2009, SG No. 105/2014, effective 1.01.2014) A tax relief constituting de minimis aid shall be available where the sum total of de minimis aids received by the taxable person during the last three years, including the current year, regardless of the form or source of acquisition of the said aids, does not exceed a ceiling of the lev equivalent of EUR 200,000, and in respect of a taxable person performing road freight transport for hire or reward, a ceiling of the lev equivalent of EUR 100,000, determined according to the official exchange rate of the lev against the euro. These ceilings shall apply regardless of whether the aid is financed in whole or in part by resources of the European Union. The sum total of de minimis aids received shall furthermore include:

1. the corporation tax retained by the taxable person for the last three years, including the corporation tax which is subject to retention for the current year, with the exception of the retained corporation tax for which the conditions of Articles 189 and 189b herein are fulfilled;

2. all prior aid for the last three years, including the current year, granted to any of the transferring companies which must be taken into account by the taxable person according to Article 3, paragraphs 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 enterprise.

(2) (New, SG No. 105/2014, effective 1.01.2014) Where the taxable person is a single enterprise by the 31st day of December of the relevant year, the tax relief shall be available where the sum total of de minimis aids received by all persons which are a single undertaking during the last three years, including the current year, regardless of the form or source of acquisition of the said aids, does not exceed the relevant ceiling of a lev equivalent referred to in Paragraph (1).

(3) (Amended, SG No. 94/2010, effective 1.01.2011, renumbered from Paragraph (2), SG No. 105/2014, effective 1.01.2014) The retained tax under Article 184 herein must be invested in material or immaterial fixed assets according to accounting legislation within four years after the beginning of the year for which the tax is retained.

(4) (New, SG No. 105/2014, effective 1.01.2014) Where the tax for the year determined for retention will exceed the relevant ceiling under Paragraphs (1) and (2), the taxable person, including the taxable persons which are a single undertaking, may not enjoy retention for the full amount of the tax determined for retention.

(5) (Amended, SG No. 95/2009, effective 1.01.2010, renumbered from Paragraph (3), amended, SG No. 105/2014, effective 1.01.2014) The retained tax invested in the assets under Paragraph (3) shall be

cumulated:

1. up to the ceilings defined in Paragraph (1) and (2) with other de minimis aid granted according to 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 and with de minimis aid granted according to other regulations on de minimis aid;

2. up to the ceiling established in Commission Regulation (EU) No. 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 aid granted to undertakings providing services of general economic interest (OJ L 114/8 of 26 April 2012) with de minimis aid granted under that Regulation;

3. (amended, SG No. 85/2017) up to the maximum admissible intensity of the corresponding State aid, determined by a decision of the European Commission authorising the corresponding aid and/or in the assessment under Article 28, Paragraph (1) of the State Aid Act for these assets.

(6) (Renumbered from Paragraph (4), amended, SG No. 105/2014, effective 1.01.2014) The taxable person shall declare the following in the annual tax return for the year for which the corporation tax is retained:

1. the amount of de minimis aids received, regardless of the form or source of acquisition of the said aids, for the last three years, including the current year;

2. the amount of all prior aid for the last three years, including the current year, granted to any of the transferring companies which must be taken into account by the taxable person according to Article 3, paragraphs 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 enterprise.

(7) (New, SG No. 105/2014, effective 1.01.2014) In the cases where the taxable person is a single undertaking, the following shall be declared as well:

1. all taxable persons which are a single undertaking;

2. the amount of de minimis aids received by the persons referred to in Item 1, regardless of the form or source of acquisition of the said aids, for the last three years, including the current year.

(8) (New, SG No. 105/2014, effective 1.01.2014) In the cases referred to in Item 2 of Paragraph (7), the amount of de minimis aids received shall be declared by the first taxable person which submits an annual tax return for the relevant year. The declared amount shall benefit all taxable persons which are a single undertaking.

Tax Relief Constituting Regional Aid

Article 189. (Amended, SG No. 110/2007, effective 1.01.2007, SG No. 100/2013, effective 1.01.2014, SG No. 105/2014, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) Regional aid in the form of retained tax shall be granted for an initial investment project subject to fulfilment of the following conditions:

1. general conditions:

(a) the taxable person submits an application form for aid to the Executive Director of the Invest Bulgaria Agency, completed in a standard form, at the latest before the start of implementation of the initial investment project;

(b) the taxable person has received an order from the Invest Bulgaria Agency which, in respect of the initial investment project referred to in Littera (a):

(aa) confirms that the aid will have the required incentive effect corresponding to one of the scenarios described in paragraph 61 of the Guidelines on regional State aid for 2014 - 2020, the aid does not result in the manifest negative effects described in paragraph 121 of the Guidelines on regional State aid for 2014 - 2020, as well as that all other conditions for eligibility have been fulfilled, and

(bb) specifies the maximum aid amount, intensity and duration;

(c) the procedure and manner for the issuing of the order referred to in Littera (b) shall be determined by an order of the Minister of Finance and the Minister of Economy;

2. conditions influencing the aid amount and intensity:

(a) the sum total of the taxes retained (the aid) in the course of implementation of the initial investment project may not exceed the aid amount fixed in the order referred to in Item 1 (b);

(b) the reduction of the amount of eligible costs of the relevant initial investment may not result in an aid intensity exceeding the intensity determined in the order referred to in Item 1 (b);

(c) the maximum aid intensity is 50 per cent, and, applicable to an initial investment made in municipalities of the South-West Planning Region, 25 per cent, calculated on the basis of the net value of aid in relation to the total eligible costs of the initial investment, as declared by the taxable person in the application form;

(d) for the purposes of Litterae (a) to (c), the value of the aid and the value of the eligible costs of tangible and intangible assets are determined at present value by the date of award of the aid, applying the reference interest rate set by the European Commission by that date;

(e) the amount of the aid for large undertakings corresponds to the next extra costs of implementing the initial investment in the municipality concerned, compared to the counterfactual in the absence of aid; the method described in paragraphs 79 and 80 of the Guidelines on regional State aid for 2014 - 2020 is used to calculate the amount of the aid, together with maximum aid intensities as a cap.

3. conditions related to the eligible costs, the initial investment and the assets which are part of the said investment:

(a) the State aid in the form of retained corporation tax is used for the acquisition of tangible and intangible assets which form part of the initial investment project;

(b) the initial investment must be implemented within four calendar years, including the year of receipt of the order referred to in Item 1 (b);

(c) the activity related to the initial investment must continue to be implemented in the respective municipality for a period of at least five years after the year of completion of the initial investment; this circumstance must be declared annually by the annual tax returns until the lapse of the five-year period;

(d) at least 25 per cent of the value of the eligible costs of the tangible and intangible assets included in the initial investment must be self-financed or debt-financed by the taxable person; the corporation tax retained, as well as other resources containing any State aid element whatsoever, are not treated as self-financing or debt-financing;

(e) the tangible and intangible assets included in the initial investment must have been acquired under market conditions not differing from the conditions between unrelated parties; the intangible assets

included in the initial investment must be depreciable assets;

(f) the value of the eligible costs of the intangible assets included in the initial investment must not exceed 50 per cent of the sum total of eligible costs of the tangible and intangible assets included in the initial investment;

(g) the intangible assets included in the initial investment must be used solely in the activity of the taxable person and must be included in the assets thereof for a period of at least five years;

(h) for the assets referred to in Littera (a), the taxable person is not a recipient of any of the following aids:

(aa) aid within the meaning given by Article 107 (1) of the Treaty on the Functioning of the European Union;

(bb) de minimis aid granted according to all regulations on de minimis aid;

(cc) financial aid under the Rural Development Programme;

(dd) any other public financial aid from the State budget and/or the budget of the European Union.

(i) for an initial investment related to the diversification of the output of a production facility into products not previously produced in the facility, the eligible costs must exceed by at least 200 per cent the carrying value of the assets that are re-used, by the 31st day of December of the year before the start of implementation of the initial investment project;

(j) the value of the eligible costs of any assets included in an initial investment related to a fundamental change in the overall production process must exceed the sum total of the accounting expenses on depreciation of the assets linked to the activities to be modernised for the preceding three accounting periods;

4. additional conditions in the cases where the initial investment is part of a large investment project or of a single investment project:

(a) in the cases where tax relief is granted for a large investment project which has received aid from all sources at group level, whereof the total value exceeds the lev equivalent of EUR 37.5 million and, in respect of an initial investment made in municipalities of the South-West Planning Region, EUR 18.75 million, determined according to the official exchange rate of the lev against the euro, the tax relief may be enjoyed for the relevant year solely if a positive decision from the European Commission has been received following a notification procedure provided for in Article 108 (3) of the Treaty on the Functioning of the European Union; the Minister of Finance shall notify the European Commission according to the procedure established by the State Aids Act;

(b) for the purposes of Littera (a), the value of the aid and the value of the eligible costs of the tangible and intangible assets included in a large investment project shall be determined at present value by the date of notification of the European Commission according to the procedure established by the Article 108 (3) of the Treaty on the Functioning of the European Union, applying the reference interest rate set by the European Commission by that date;

(c) where Littera (a) must not be applied to a large investment project, the tax relief may be enjoyed solely if the adjusted regional aid amount for large investment project is complied with as laid down in paragraph 20 (c) of the Guidelines on regional State aid for 2014 - 2020;

(d) for the purposes of Littera (c), the value of the aid and the value of the eligible costs of the tangible and intangible assets included in a large investment project are determined at present value by the date

of award of the aid, applying the reference interest rate set by the European Commission by that date;

(e) in the cases where aid is awarded for an initial investment project that is considered to be part of a single investment project, the aid to the taxable person for the said project is scaled down for the eligible costs exceeding EUR 50 million.

Article 189a. (New, SG No. 106/2008, effective 1.01.2009, repealed, SG No. 95/2009, effective 1.01.2010).

Tax Relief Constituting State Aid for Farmers

(Title amended, SG No. 12/2015)

Article 189b. (New, SG No. 95/2009, effective 1.01.2010) (1) (Amended, SG No. 12/2015) Any taxable persons, registered as farmers, shall be allowed to retain up to 60 per cent of the corporate tax due therefrom in respect of the tax profit derived thereby from the business of production of unprocessed plant and animal produce.

(2) The corporate tax shall be retained where the following conditions are simultaneously fulfilled:

1. (supplemented, SG No. 22/2015, effective 1.01.2014) the retained tax is invested in new buildings and new agricultural machinery needed for performance of the activity specified in Paragraph (1) and acquired not later than before the end of the year next succeeding the year for which the retention is enjoyed;

2. the assets referred to in Item 1 were acquired under market conditions not differing from the conditions between unrelated parties;

3. the activity referred to in Paragraph (1) must continue to be implemented for a period of at least three years after the year of retention; this circumstance shall be declared annually by the annual tax returns until the lapse of the three-year period;

4. (amended, SG No. 22/2015, effective 1.01.2014) the tax retained must not exceed 50 per cent of the present value of the assets referred to in Item 1, determined at the date of granting the aid; the interest rate for the purposes of determination of the present value of the assets referred to in Paragraph (1) shall be the reference interest rate set by the European Commission for the 31st day of December of the year of retention;

5. (new, SG No. 22/2015, effective 1.01.2014) the present value of all assets referred to in Item 1, determined at the date of granting the aid, may not exceed a threshold of the lev equivalent of EUR 500,000; the interest rate for the purposes of determination of the present value of the assets referred to in Paragraph (1) shall be the reference interest rate set by the European Commission for the 31st day of December of the year of retention;

6. (new, SG No. 22/2015, effective 1.01.2014) the threshold set out in Item 5 may not be circumvented by artificial splitting up of the assets referred to in Item 1;

7. (new, SG No. 105/2014, effective 1.01.2014, repealed, SG No. 22/2015, effective 1.01.2014);

8. (new, SG No. 19/2011, effective 8.03.2011, renumbered from Item 5, SG No. 22/2015, effective 1.01.2014) the assets referred to in Item 1 do not replace existing assets;

9. (new, SG No. 19/2011, effective 8.03.2011, amended, SG No. 12/2015, renumbered from Item 6, SG No. 22/2015, effective 1.01.2014) with regard to the assets referred to in Item 1, the farmer is not a beneficiary of any of the following aids:

(a) aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union;

(b) (amended, SG No. 105/2014, effective 1.01.2014) de minimis aid within the meaning given by Commission Regulation (EU) No. 1408/2013 of 18 December 2013 on the application of Articles 108 and 107 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector;

(c) financial aid under the Rural Development Programme;

(d) any other public financial aid from the national budget and/or the budget of the European Union.

(3) (Repealed, SG No. 19/2011, effective 8.03.2011).

(4) (Repealed, SG No. 19/2011, effective 8.03.2011).

Implementation of Decision on Regional Aid

Article 189c. (New, SG No. 95/2015, effective 1.01.2016) The implementation of the Decision of the European Commission on regional aid under Article 189 herein shall be ensured by the Invest Bulgaria Agency, the National Revenue Agency and the Ministry of Finance, each acting within the competence thereof, including:

1. by the Invest Bulgaria Agency: with regard to confirming the conditions and issuing the order referred to in Item 1 (b) of Article 189 herein;

2. by the National Revenue Agency: with regard to the control, reporting and transparency of the scheme;

3. by the Ministry of Finance: with regard to managing the scheme and notifying the European Commission of all plans to amend the scheme, according to the procedure established by the State Aids Act.

Restrictions upon Enjoyment of Tax Reliefs

Article 190. (Amended, SG No. 110/2007, effective 1.01.2007) (1) A taxable person may not enjoy more than one tax relief under this Section during one and the same year.

(2) (Amended, SG No. 105/2014, effective 1.01.2014) The assets in which a tax retained according to Article 188 (3) herein is invested shall be excluded from the scope of the initial investment.

Section V

(Repealed, SG No. 106/2008, effective 1.01.2009)
Tax Reliefs Satisfying Requirements for Permissible State Aid for Employment

Article 191. (Repealed, SG No. 106/2008, effective 1.01.2009).

Article 192. (Repealed, SG No. 106/2008, effective 1.01.2009).

Article 193. (Repealed, SG No. 106/2008, effective 1.01.2009).

PART THREE
WITHHOLDING TAX

Chapter Twenty-Three
SCOPE OF TAXATION

Withholding Tax on Income from Dividend and Shares in Liquidation Surplus

Article 194. (1) A tax withheld at source shall be levied on any dividends and shares in a liquidation surplus, as distributed (apportioned) by any resident legal person in favour of:

1. any non-resident legal persons, with the exception of the cases where the dividends accrue to a non-resident legal person through a permanent establishment in the country;

2. any resident legal persons which are not merchants, including any municipalities.

(2) The tax referred to in Paragraph (1) shall be final and shall be withheld by the resident legal persons distributing dividends or shares in a liquidation surplus.

(3) Paragraph (1) shall not apply where the dividends and shares in a liquidation surplus are distributed in favour of:

1. any resident legal person which participates in the capital of the company as a representative of the State;

2. any common fund;

3. (new, SG No. 69/2008, effective 1.01.2009, supplemented, SG No. 95/2009, effective 1.01.2010) any non-resident legal person which is resident for tax purposes in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area, with the exception of the cases of hidden profit distribution.

Tax Withheld on Income of Non-resident Persons

Article 195. (1) (Supplemented, SG No. 94/2010, effective 1.01.2011) Any income which has its source inside the country, referred to in Article 12 (2), (3), (5) and (8) herein, accruing to any non-resident legal person, where not accruing through a permanent establishment and any income which has its source inside the country, referred to in Article 12 (9) herein, accruing to any non-resident legal person established in preferential tax treatment jurisdictions, where not realized through a permanent establishment in the country, shall be subject to levy of a tax withheld at source which shall be final.

(2) (Amended, SG No. 94/2010, effective 1.01.2011) The tax referred to in Paragraph (1) shall be withheld by the resident legal persons, the sole traders or the permanent establishments in the country which charge the income to the non-resident legal persons, with the exception of the income referred to in Article 12 (3) and Item 2 of Article 12 (8) herein.

(3) (Amended, SG No. 94/2010, effective 1.01.2011) Where the payer of the income is not a taxable person covered under Article 2 herein and in respect of the income referred to in Article 12 (3) and Item 2 of Article 12 (8) herein, the tax shall be withheld from the recipient of the income.

(4) (Amended, SG No. 96/2019, effective 1.01.2020) Paragraphs (1) and (2) shall furthermore apply where a non-resident person charges the said income through a permanent establishment to other divisions of the enterprise thereof situated outside the country in the following cases:

1. the particular transfer coincides with the normal transactions entered into through that division of the enterprise situated outside the country and aimed at third parties, or

2. the ordinary business carried on through that division of the enterprise situated outside the country consists in similar transfers to the other divisions of the enterprise, or

3. the subject of the transfer is intended for provision in its altered or unaltered state to another person.

(5) The prepayments in connection with the income referred to in Paragraph (1) shall not be subject to levy of a tax withheld at source.

(6) (New, SG No. 100/2013, effective 1.01.2014) The following shall not attract a tax withheld at source:

1. (supplemented, SG No. 107/2014, effective 1.01.2015) any income from interest payments on bonds or other debt instruments issued by a resident legal person, the state and the municipalitie and admitted to trading on a regulated market in the country or in a Member State of the European Union, or in another State which is a Contracting Party to the Agreement on the European Economic Area;

2. any income from interest payments on a loan extended by a non-resident person which is an issuer of bonds or other debt securities, where the following conditions are simultaneously fulfilled:

(a) the issuer is resident for tax purposes in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area;

(b) the issuer has issued the bonds or the other debt securities for the purpose of lending the proceeds therefrom to a resident legal person;

(c) the bonds or the other debt securities have been admitted to trading on a regulated in the country or in a Member State of the European Union, or in another State which is a Contracting Party to the Agreement on the European Economic Area;

3. (new, SG No. 105/2014, effective 1.01.2015) any income from interest payments, copyright and licence royalties under the terms established by Paragraphs (7) to (12);

4. (new, SG No. 107/2014, effective 1.01.2015) interest income on loans, under which no bonds are issued and under which the state or municipalities are the borrower.

(7) (New, SG No. 105/2014, effective 1.01.2015) The income from interest payments, copyright and licence royalties shall not attract a tax withheld at source where the following conditions are simultaneously fulfilled:

1. the beneficial owner of the income is a non-resident legal person of a Member State of the European Union, or a permanent establishment in a Member State of the European Union of a non-resident legal person of a Member State of the European Union;

2. the resident legal person which is the payer of the income, or the person whereof the permanent establishment in the Republic of Bulgaria is the payer of the income, is a party related to the non-resident legal person which is the beneficial owner of the income or of the person whereof the

permanent establishment is the beneficial owner of the income.

(8) (New, SG No. 105/2014, effective 1.01.2015) The income from interest payments, copyright and licence royalties may not attract a tax withheld at source even prior to the lapse of the period referred to in Item 2 of Paragraph (12), provided that the requisite minimum holding of the capital was not interrupted at the time of charging of the income.

(9) (New, SG No. 105/2014, effective 1.01.2015) In the cases referred to in Paragraph (8), where the requisite minimum holding of the capital was interrupted prior to the lapse of the period of at least two years, a tax withheld at source shall be due on the income from interest payments, copyright and license royalties exempted under Paragraph (8), applying the rate of tax to the amount of 10 per cent. Default interest shall be due on the tax withheld at source due for the period commencing at the date on which the tax withheld at source should have been remitted and ending at the date of remittance of the said tax.

(10) (New, SG No. 105/2014, effective 1.01.2015) Where any tax-free income from interest payments, copyright and license royalties has been taxed, the beneficial owner of the income shall be entitled to claim a refund of the tax. Any such refund shall be effected according to the procedure and within the time limits established by the Tax and Social-Insurance Procedure Code but in any case not later than one year after submission of the claim for a refund.

(11) (New, SG No. 105/2014, effective 1.01.2015) Paragraphs (7), (8), (9) and (10) shall not apply to:

1. any income which constitutes a distribution of profits or a repayment of capital;

2. any income from debt-claims which carry a right to participate in the debtor’s profits;

3. any income from debt-claims which entitle the creditor to exchange the right thereof to interest for a right to participate in the debtor’s profits;

4. any income from debt-claims which contain no provision for repayment of the principal amount or where the repayment is due more than 50 years after the date of issue of the debt;

5. any income constituting expenses of a permanent establishment in the Republic of Bulgaria unrecognized for tax purposes, with the exception of those referred to in Article 43 herein;

6. any income charged by a non-resident legal person of a State which is not a Member State of the European Union through a permanent establishment in the Republic of Bulgaria;

7. any income from transactions for which the principal motive or one of the principal motives is tax evasion or tax avoidance.

(12) (New, SG No. 105/2014, effective 1.01.2015) For the purposes of Paragraphs (7) to (11):

1. "non-resident legal person of a Member State of the European Union" shall be any non-resident legal person in respect of which the following conditions are simultaneously fulfilled:

(a) the non-resident legal person takes one of the legal forms listed in Annex 5 hereto;

(b) the non-resident legal person is resident person for tax purposes in a Member State of the European Union, in accordance with the relevant tax legislation and, by virtue of a convention for the avoidance of double taxation concluded with a third State, is not considered to be resident for tax purpose in another State outside the European Union;

(c) the non-resident legal person is subject to any of the taxes listed in Annex 6 hereto without entitlement to exemption from taxation, or to a tax which is identical or similar and which is imposed in

addition to, or in place of, those taxes;

2. a person shall be a "party related" to a second person if at least one of the following conditions is fulfilled at the time of charging of the income:

(a) the first person has a minimum holding of 25 per cent of the capital of the second person for an uninterrupted period of at least two years;

(b) the second person has a minimum holding of 25 per cent of the capital of the first person for an uninterrupted period of at least two years;

(c) a third person, which is a resident legal person or a non-resident legal person of a Member State of the European Union, has a minimum holding of 25 per cent in the capital of the first person and in the capital of the second person for an uninterrupted period of at least two years;

3. the non-resident legal person is the beneficial owner of the income where the said person receives the said income for its own benefit and not as an intermediary or an agent for some other person;

4. a permanent establishment shall be the beneficial owner of the income if the following conditions are simultaneously fulfilled:

(a) the debt-claim, right or use of information, in respect of which interest payments or copyright and licence royalties arise, is effectively connected with that permanent establishment;

(b) the interest payments or the copyright and licence royalties constitute income in respect of which that permanent establishment is subject in the Member State wherein the said establishment is situated to any of the taxes mentioned in Annex 6 hereto, 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 similar and which is imposed in addition to, or in place of, those taxes.

Financial Instruments Admitted to Trading on a Regulated Market

Article 196. (Amended, SG No. 106/2008, effective 1.01.2009) Any income from disposition of financial instruments within the meaning given by Item 21 of § 1 of the Supplementary Provisions herein shall not attract a tax withheld at source.

Chapter Twenty-Four
TAX BASE

Tax Base for Withholding Tax on Dividend Income

Article 197. The tax base for assessment of the tax withheld at source on any income accruing from dividends shall be the gross amount of the dividends distributed.

Tax Base for Withholding Tax on Liquidation Surplus Share

Article 198. The tax base for assessment of the tax withheld at source on any income accruing from shares in a liquidation surplus shall be the difference between the market price of the claim by the relevant shareholder or member and the documented cost of acquisition of the shares or interests thereof.

Tax Base for Withholding Tax on Non-resident Persons' Income

Article 199. (1) The tax base for assessment of the tax withheld at source on the income referred to in Article 195 (1) herein shall be the gross amount of the said income, with the exception of the cases referred to in Paragraphs (3) and (4).

(2) The tax base for assessment of the tax withheld at source on any income accruing to any non-resident legal persons from interest payments under finance lease contracts, in the cases where the contract does not stipulate the rate of the said interest, shall be determined on the basis of the market rate of interest.

(3) The tax base for assessment of the tax withheld at source on any income accruing to any non-resident legal persons from acts of disposition of financial assets shall be the positive difference between the selling price of the said assets and the documented cost of acquisition thereof.

(4) The tax base for assessment of the tax withheld at source on any income accruing to any non-resident legal persons from disposition of immovable property shall be the positive difference between the selling price and the documented cost of acquisition of the immovable property.

(5) The selling price, for the purposes of Paragraphs (3) and (4), shall be the valuable consideration under the transaction, including the reward other than money, which shall be valued at market prices at the date of charging of the income.

(6) Upon termination of a finance lease contract before expiry of the term of validity thereof and without passing of the right of ownership to the relevant assets which are subject of the contract, the non-refundable lease payments shall be considered income from use of property acquired by the non-resident legal person at the time of termination. The withholding tax on the income from interest payments, remitted until the time of termination of the lease contract, shall be deducted from the withholding tax due on income from use of the property.

Chapter Twenty-Five
TAX RATES

Tax Rates

Article 200. (1) (Amended, SG No. 110/2007) The tax rate for the income referred to in Article 194 herein shall be 5 per cent.

(2) (Supplemented, SG No. 94/2010, effective 1.01.2011, amended, SG No. 105/2014, effective 1.01.2015) The tax rate for the expenses referred to in Article 195 herein shall be 10 per cent.

Article 200a. (New, SG No. 94/2010, effective 1.01.2011, amended and supplemented, SG No. 100/2013, effective 1.01.2014, repealed, SG No. 105/2014, effective 1.01.2015).

Chapter Twenty-Six

DECLARING OF TAX

Declaring of Tax. Certificate on Tax Withheld on Non-resident Persons' Income.

Provision of Information for Automatic Exchange Purposes

(Heading amended, SG No. 109/2013, effective 1.01.2014)

Article 201. (Supplemented, SG No. 110/2007, amended, SG No. 94/2010, effective 1.01.2011, SG No. 94/2012, effective 1.01.2013) (1) The persons, who or which are obligated to withhold and remit the tax at source under Articles 194 and 195 herein, shall declare the tax due for the quarter by a declaration in a standard form not later than the end of the month next succeeding the quarter. The declaration shall be submitted to the National Revenue Agency territorial directorate where the payer of the income is registered or registrable.

(2) Where the payer of the income is not registrable, the tax declaration shall be submitted to the Sofia Territorial Directorate of the National Revenue Agency.

(3) (Supplemented, SG No. 23/2013, effective 8.03.2013) In the cases where the payer of the income is a person who or which is not obligated to withhold and remit a tax, the declaration shall be submitted by the recipient of the income within the time limit referred to in Paragraph (1).

(4) A certificate on the tax remitted according to the procedure established by this Act on income accruing to non-resident legal persons shall be issued in a standard form at the request of the interested party. Any such certificate shall be issued by the National Revenue Agency territorial directorate whereto the declaration under Paragraph (1) is submitted or is subject to submission.

(5) (New, SG No. 109/2013, effective 1.01.2014, amended, SG No. 105/2014, effective 1.01.2015, SG No. 98/2018, effective 1.01.2019) By the declaration referred to in Paragraph (1), the persons who or which are obligated to withhold and remit the tax at source under Article 195 herein, or the recipients of income in the cases referred to in Paragraph (3), shall provide information on the income referred to in Items 2 and 6 of Article 143h (1) of the Tax and Social-Insurance Procedure Code for the purposes of the automatic exchange. The information shall be provided once a year by the return submitted for the fourth quarter of the relevant year, and upon transformation the information shall be prepared and presented by the transferee. Upon expungement/dissolution of the taxable person, the information shall be provided in the declaration referred to in Paragraph (7).

(6) (New, SG No. 109/2013, effective 1.01.2014) Any non-resident legal persons, which realize the income referred to in Items 2 and 6 of Article 143h of the Tax and Social-Insurance Procedure Code through a permanent establishment in the Republic of Bulgaria, shall likewise apply the procedure referred to in Paragraph (5).

(7) (New, SG No. 98/2018, effective 1.01.2019) Upon expungement/dissolution of the taxable person, the declaration shall be submitted by the persons referred to in Article 161 (7) herein within the time limit and according to the procedure for submission of the tax return under Article 162 herein.

Chapter Twenty-Seven
TAX REMITTANCE

Tax Remittance

Article 202. (1) (Amended, SG No. 94/2012, effective 1.01.2013) Any payers of income withholding the tax at source under Article 194 herein shall be obligated to remit the taxes duenot later than at the end of the month next succeeding the quarter during which a decision was made on distribution of dividends or of shares in a liquidation surplus.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) Any payers of income withholding the tax at source under Article 195 herein shall be obligated to remit the taxes due not later than at the end of the month next succeeding the quarter of charging of the income.

(3) The tax due referred to in Paragraphs (1) and (2) shall be remitted to the relevant National Revenue Agency territorial directorate exercising competence over the place of registration or over the place where the payer of the income is registrable.

(4) (Amended, SG No. 94/2010, effective 1.01.2011) Where any payer of income referred to in Paragraph (2) is not a taxable person and in respect of any income referred to in Article 12 (3) and Item 2 of Article 12 (8) herein, the tax shall be remitted by the recipient of the income within the time limit referred to in Paragraph (2), and the income shall be considered to be charged as from the date of receipt of the said income by the non-resident legal person. The tax due shall be remitted to the relevant National Revenue Agency territorial directorate exercising competence over the place of registration or over the place where the payer of the income is registrable. Where the payer of the income is not registrable, the tax shall be remitted to the Sofia Territorial Directorate of the National Revenue Agency.

(5) Any overremitted tax shall be refunded by the National Revenue Agency territorial directorate whereto the tax is subject to remittance.

(6) (New, SG No. 98/2018, effective 1.01.2019) Upon expungement/dissolution of the taxable person, the tax shall be remitted within the time limits for declaring the said tax by the persons referred to in Article 161 (7) herein.

Recalculation of Withholding Tax

Article 202a. (New, SG No. 95/2009, effective 1.01.2010) (1) Any non-resident legal person, which is a resident person for tax purposes of a Member State of the European Union or of another State which is a Contracting Party to the Agreement on the European Economic Area, shall have the right to opt for a recalculation of the tax withheld at source on the incomes under Article 12 (2), (3), (5) and (8) herein. Where the non-resident person opts for a recalculation of the tax withheld at source, the said recalculation shall be made in respect of all incomes realized thereby under Article 12 (2), (3), (5) and (8) herein during the year.

(2) Where the non-resident person opts for a recalculation of the tax withheld at source on the incomes realized thereby, the tax as recalculated shall be equal to the corporate tax which would have been due on such incomes if they were realized by a resident legal person. Where the non-resident person has effected any expenses associated with the incomes referred to in sentence one, whereon a tax on expenses would have been due if the said expenses have been effected by a resident legal persons, the said tax shall be added to the sum total of the tax as recalculated.

(3) Where the tax withheld at source as remitted on any income referred to in Article 195 (1) herein exceeds the amount of the tax as recalculated under Paragraph (2), the difference shall be refundable up to the amount of the tax withheld at source on any income referred to in Article 195 (1) herein which the non-resident person cannot deduct from the tax due in the State where the person is resident.

(4) The option of recalculation of the tax withheld at source shall be exercised by means of

submission of an annual tax return completed in a standard form. The tax return shall be submitted by the non-resident person to the Sofia Territorial Directorate of the National Revenue Agency on or before the 31st day of December of the year next succeeding the year in which the incomes were charged.

(5) The refund of tax under Paragraph (3) shall be effected according to the procedure established by the Tax and Social-Insurance Procedure Code by the Sofia Territorial Directorate of the National Revenue Agency.

(6) Paragraphs (1) to (5) shall not apply where the non-resident person is resident for tax purposes of any State which is a Contracting Party to the Agreement on the European Economic Area but which is not a Member State of the European Union, wherewith the Republic of Bulgaria:

1. does not have an effective convention for the avoidance of double taxation, or

2. has an effective convention for the avoidance of double taxation which does not provide for:

(a) exchange of information, or

(b) cooperation in tax collection.

Liability

Article 203. Where the tax referred to in Articles 194 and 195 herein has not been withheld and remitted according to the relevant procedure, the said tax shall be due solidarily by the persons which incur tax liability for the relevant income.

PART FOUR
TAX ON EXPENSES

Chapter Twenty-Eight
GENERAL DISPOSITIONS

Scope of Taxation

Article 204. (1) (Previous text of Article 204, SG No. 75/2016, effective 1.01.2016) A tax on expenses shall be levied on the following expenses supported by documents:

1. any business entertainment expenses;

2. any expenses on fringe benefits provided in kind to factory and office workers and to persons hired under a management and control contracts (hired persons); the expenses on fringe benefits provided in kind shall furthermore include:

(a) (amended, SG No. 106/2008, effective 1.01.2009) the expenses on contributions (premiums) for supplementary voluntary social insurance and for voluntary health insurance and for life assurances;

(b) the expenses on food vouchers;

3. (repealed, SG No. 75/2016, effective 1.01.2016);

4. (new, SG No. 75/2016, effective 1.01.2016) the expenses in kind associated with own assets, leased

assets and/or assets provided for use, provided for personal use and/or associated with use of staff, by factory workers, office workers and persons hired under management and control contracts (hired persons), as well as by persons performing work in person within the meaning given by Item 26 (i) of § 1 of the Supplementary Provisions of the Income Taxes on Natural Persons Act.

(2) (New, SG No. 75/2016, effective 1.01.2016) Paragraph (1) shall apply even where the accounting for the sums referred to in Items 1, 2 and 4 of Paragraph (1) does not lead to a diminution in the financial result for the year of accounting for the said expenses.

Expenses on Fringe Benefits Not Provided in Kind

Article 205. Any expenses on fringe benefits, which are not provided in kind and which constitute income of a natural person, shall be taxed under the terms and according to the procedure established by the Income Taxes on Natural Persons Act.

Recognition of Tax on Expenses

Article 206. (1) The expense and the tax thereon shall be recognized for tax purposes in the year of charging and shall not form a temporary tax difference according to the procedure established by Chapter Eight herein.

(2) The tax on expenses shall be final.

Taxable Persons

Article 207. (1) (Amended, SG No. 75/2016, effective 1.01.2016) Taxable persons in respect of the tax referred to in Item 1 of Article 204 (1) herein shall be the persons which are subject to levy of corporation tax.

(2) (Amended, SG No. 75/2016, effective 1.01.2016) Taxable persons in respect of the tax referred to in Item 2 of Article 204 (1) herein shall be all employers or commissioning entities under management and control contracts.

(3) (New, SG No. 75/2016, effective 1.01.2016) Taxable persons in respect of the tax referred to in Item 4 of Article 204 (1) shall be all employers or commissioning entities under management and control contracts or under legal relationships for performance of work in person within the meaning given by Item 26 (i) of § 1 of the Supplementary Provisions of the Income Taxes on Natural Persons Act.

Exemption from Taxation of Fringe Benefit Expenses on Contributions and Premiums for Supplementary Social Insurance and Life Assurance

Article 208. (Supplemented, SG No. 75/2016, effective 1.01.2016) No tax shall be levied on any expenses on fringe benefits referred to in Item 2 (a) of Article 204 (1) herein not exceeding the amount of BGN 60 per month per hired person, where the taxable persons do not incur any coercively enforceable public obligations at the time of incurrence of the expenses.

Exemption from Taxation of Fringe Benefit Expenses on Food Vouchers

Article 209. (1) (Amended, SG No. 106/2008, effective 1.01.2009, supplemented, SG No. 75/2016, effective 1.01.2016) No tax shall be levied on any expenses on fringe benefits referred to in Item 2 (b) of Article 204 (1) herein not exceeding the amount of BGN 60 per month, provided in the form of

food vouchers to each hired person, where the following conditions are simultaneously fulfilled:

1. (amended, SG No. 110/2007) the agreed basic monthly remuneration of the person in the month of provision of the vouchers is not lesser than the average monthly agreed basic remuneration of the said person for the last preceding three months;

2. the taxable person does not incur any coercively enforceable public obligations at the time of provision of the vouchers;

3. the vouchers are provided to the taxable person by a person which has obtained authorization to carry on operator business from the Minister of Finance on the basis of a competitive procedure;

4. (repealed, SG No. 94/2010, effective 1.01.2011);

5. (repealed, SG No. 94/2010, effective 1.01.2011).

(2) The right to carry on operator business shall be limited to a person which has obtained authorization from the Minister of Finance and which:

1. has a paid up share (registered) capital of at least BGN 2 million at the time of submission of the documents for the grant of authorization;

2. is registered under the Value Added Tax Act;

3. is not subject to bankruptcy proceedings or is not placed in liquidation;

4. does not incur any coercively enforceable public obligations at the time of submission of the documents for authorization;

5. is represented by any persons who:

(a) (supplemented, SG No. 103/2017, effective 1.01.2018) have not been convicted of a premeditated publicly indictable offence, unless rehabilitated, and in the cases when the persons are Bulgarian citizens, the circumstances on their criminal record shall be established ex officio;

(b) have not been members of a supervisory body or a management body of any corporation dissolved through bankruptcy during the two years last preceding the date of the judgment on institution of bankruptcy proceedings, if any creditors have been left unsatisfied;

6. (new, SG No. 98/2018, effective 1.01.2019) possesses a specimen of a food voucher which satisfies the following requirements:

(a) the specimen contains a series and a number making it possible to individualise and trace the said voucher;

(b) the specimen states a business name, registered office and address of the place of management of the operator, the standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;

(c) the specimen states a business name, the standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT of the employer;

(d) the specimen states a nominal value of the food voucher (given in figures and in words), expressed in leva;

(e) the specimen states a period of validity of the food voucher;

(f) the specimen states an explicit prohibition of the purchase of wine, spirit drinks, beer and tobacco products by means of food vouchers;

(g) the specimen states an explicit prohibition of making change up to the nominal value of the voucher as provided;

(h) the specimen contains at least five security features;

(i) the specimen contains an area for stamping a date and affixing a seal of the supplier;

(j) the specimen states the unique number of the individual quota received by the operator within which the food voucher has been provided;

(k) the specimen states a date of issue of the order of the individual quota received by the operator within which the food voucher has been provided.

(3) (Amended, SG No. 106/2008, SG No. 94/2010, effective 1.01.2011, SG No. 98/2018, effective 1.01.2019) The authorisation shall be granted by the Minister of Finance on the basis of a competitive procedure. The grant of an authorisation shall be refused by a reasoned written order of the Minister of Finance to an applicant which does not satisfy any of the requirements referred to in Paragraph (2) or which has submitted untrue data or information. The authorisation shall be withdrawn where the operator:

1. ceases to satisfy any of the requirements referred to in Paragraphs (2), (8) and (9);

2. ceases to carry out activity;

3. has not carried out activity during the preceding two years and has received a first individual quota in the year preceding the last preceding year;

4. has provided employers with food vouchers within an individual quota for the provision of food

vouchers received therefrom, which are of a nominal value exceeding the said individual quota, or has provided food vouchers without having received an individual quota.

(4) The grant, refusal of authorization or withdrawal of an authorization granted shall be effected by a written order of the Minister of Finance.

(5) Any refusal to grant an authorization and any withdrawal of an authorization shall be appealable according to the procedure established by the Administrative Procedure Code.

(6) The procedure for the conduct of a competitive procedure, for the grant and withdrawal of an authorization, the terms and a procedure for the printing of vouchers, the number of vouchers issued, the terms for organization and control of the conduct of operator business shall be established by an ordinance of the Minister of Labour and Social Policy and the Minister of Finance.

(7) (New, SG No. 94/2010, effective 1.01.2011) The total annual quota for provision of food vouchers shall be endorsed by the State Budget of the Republic of Bulgaria Act for the relevant year.

(8) (New, SG No. 94/2010, effective 1.01.2011) The operator shall use the amounts received from employers for the food vouchers provided thereto solely for settlement through bank transfer with the suppliers which have concluded a contract for provision of services with the operator, or for refunding to the taxable person of the nominal value of the food vouchers claimed by employers, in the cases of withdrawal of the authorization of the operator.

(9) (New, SG No. 94/2010, effective 1.01.2011) The operator shall conclude contracts for provision of services solely with suppliers which are registered under the Value Added Tax Act.

Exemption from Taxation of Fringe Benefit Expenses on Transportation of Factory and Office Workers and Persons Hired under Management and Control Contract

Article 210. (1) (Supplemented, SG No. 75/2016, effective 1.01.2016) No tax shall be levied under Item 2 of Article 204 (1) herein on any expenses on fringe benefits incurred on transportation of factory and office workers and of persons hired under a management and control contract from the place of residence to the place of work and back.

(2) Paragraph (1) shall not apply where any such transportation is carried out by passenger car or by extra bus services.

(3) Paragraph (1) shall furthermore apply where the transportation of factory and office workers is carried out by passenger car to inaccessible and remote areas and the taxable person cannot ensure the implementation of the activity thereof without incurrence of the expense.

Chapter Twenty-Nine
TAX BASE

Tax Base for Tax on Entertainment Expenses

Article 211. (Amended, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 75/2016, effective 1.01.2016) The tax base for assessment of the tax on expenses referred to in Item 1 of Article 204 (1) herein shall be the expenses charged for the calendar year.

Tax Base for Tax on Fringe Benefit Expenses Provided in Kind

Article 212. (Amended, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 75/2016,

effective 1.01.2016) The tax base for assessment of the tax on expenses referred to in Item 2 of Article 204 (1) herein shall be the expenses on fringe benefits provided in kind debited with the income associated with the said expenses for the calendar year.

Tax Base for Tax on Fringe Benefit Expenses on Contributions (Premiums) for Supplementary Social Insurance and Life Assurances

Article 213. (1) (New, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 75/2016, effective 1.01.2016) The tax base for assessment of the tax on expenses referred to in Item 2 (a) of Article 204 (1) herein shall be the sum of the tax bases for the months of the calendar year, determined according to the procedure established by Paragraphs (2) and (3).

(2) (Renumbered from Paragraph (1), supplemented, SG No. 94/2012, effective 1.01.2013, SG No. 75/2016, effective 1.01.2016) The tax base for assessment of the tax on expenses for the calendar month referred to in Item 2 (a) of Article 204 (1) herein shall be the excess of the said expenses over BGN 60 per month per hired person.

(3) (Renumbered from Paragraph (2), supplemented, SG No. 94/2012, effective 1.01.2013) Where the taxable persons incur any coercively enforceable public obligations at the time of charging of the expenses, the tax base for assessment of the tax on expenses shall be the full amount of the expenses charged for the calendar month.

Tax Base for Tax on Fringe Benefit Expenses on Food Vouchers

Article 214. (1) (New, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 75/2016, effective 1.01.2016) The tax base for assessment of the tax on expenses referred to in Item 2 of Article 204 (1) herein shall be the sum of the tax bases for the months of the calendar year, determined according to the procedure established by Paragraphs (2) and (3).

(2) (Amended, SG No. 106/2008, effective 1.01.2009, renumbered from Paragraph (1), supplemented, SG No. 94/2012, effective 1.01.2013, SG No. 75/2016, effective 1.01.2016) The tax base for assessment of the tax on expenses for the calendar month referred to in Item 2 (b) of Article 204 (1) herein shall be the excess of the said expenses over BGN 60 per month per hired person.

(3) (Renumbered from Paragraph (2), supplemented, SG No. 94/2012, effective 1.01.2013) Where the conditions for exemptions from tax under Article 209 herein are not fulfilled, the tax base for assessment of the tax on expenses shall be the full amount of the expenses charged for the calendar month.

Article 215. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 75/2016, effective 1.01.2016).

Tax Base for Tax on Expenses in Kind

Article 215a. (New, SG No. 75/2016, effective 1.01.2016) (1) The tax base for assessment of the tax on expenses referred to in Item 4 of Article 204 (1) herein shall be the sum of the expenses in kind associated with own assets, leased assets and/or assets provided for use, provided for personal use and/or associated with use of staff, for the calendar year.

(2) Upon determination of the tax base referred to in Paragraph (1) in respect of the expenses in kind associated with means of transport, the expenses shall be charged to the personal use by multiplying

the total amount of all expenses associated with the means of transport:

1. by the proportion:

(2) between the kilometres driven for personal use and the total kilometres driven by the means of transport concerned;

(b) between the hours of personal use of the means of transport and the total hours of use of the means of transport, or

2. by 50 per cent.

(3) Upon determination of the tax base referred to in Paragraph (1) in respect of the expenses in kind associated with immovable property which cannot be allocated by measurement, the expenses shall be charged to the personal use by multiplying the total amount of all expenses associated with the immovable property by the proportion:

1. between the surface area used for personal use and the total surface area of the immovable property concerned, or

2. between the hours of personal use of the immovable property concerned and the total hours of use of the immovable property.

(4) Upon determination of the tax base referred to in Paragraph (1) in respect of the expenses in kind associated with any assets other than those specified under Paragraphs (2) and (3), the tax base shall be 20 per cent of the total amount of all expenses associated with the asset concerned, unless the taxable person supports by documents another amount of the tax base.

Chapter Thirty

TAX RATE, DECLARING AND REMITTANCE OF TAX ON EXPENSES (Heading amended, SG No. 110/2007, effective 1.01.2007)

Tax Rate

Article 216. (Supplemented, SG No. 75/2016, effective 1.01.2016) The tax rate for the expenses referred to in Article 204 (1) herein shall be 10 per cent.

Tax Declaring and Remittance

(Heading amended, SG No. 110/2007, effective 1.01.2007)

Article 217. (1) (New, SG No. 110/2007, effective 1.01.2007) The tax on expenses shall be declared by the annual tax return submitted by the taxable person.

(2) (Redesignated from Article 217, SG No. 110/2007, effective 1.01.2007, amended, SG No. 94/2012, effective 1.01.2013) The tax on expenses shall be remitted on or before the 31st day of March of the next succeeding year.

(3) (New, SG No. 75/2016, effective 1.01.2016) The taxable persons shall declare the choice thereof under Article 24 (3) of the Income Taxes on Natural Persons Act for the current year in the annual tax return submitted for the preceding year.

(4) (New, SG No. 97/2016, effective 1.01.2017, supplemented, SG No. 98/2018, effective 1.01.2019) Any newly incorporated taxable persons shall declare the choice thereof under Paragraph (3) for the year of incorporation thereof by the annual tax return submitted for the same year. Any persons, which were not taxable for the preceding year and did not submit an annual tax return, shall declare the choice thereof under Paragraph (3) by the annual tax return for the current year.

(5) (New, SG No. 98/2018, effective 1.01.2019) Upon expungement/dissolution of the taxable person, the tax on expenses shall be declared and remitted by the persons referred to in Article 161 (7) herein within the time limit and according to the procedure for submission of the tax return and for remittance of the tax under Articles 162 and 163 herein.

Chapter Thirty "a"

(New, SG No. 105/2014, effective 1.01.2015)
TAX ON ADDITIONAL EXPENSES OF NATIONAL REPRESENTATIVES

Subject to Taxation

Article 217a. (New, SG No. 105/2014, effective 1.01.2015) The additional expenses of the National Representatives shall attract a tax on expenses.

Taxable Person

Article 217b. (New, SG No. 105/2014, effective 1.01.2015) The taxable person in respect of the tax referred to in Article 217a herein shall be the National Assembly of the Republic of Bulgaria.

Tax Base

Article 217c. (New, SG No. 105/2014, effective 1.01.2015) The tax base for assessment of the tax on the additional expenses of the National Representatives shall be the expenses charged for the calendar year.

Tax Rate

Article 217d. (New, SG No. 105/2014, effective 1.01.2015) The tax rate under Article 217a herein shall be 10 per cent.

Tax Declaring and Remittance

Article 217e. (New, SG No. 105/2014, effective 1.01.2015) (1) The tax on the additional expenses of the National Representatives shall be declared in a tax return in a standard form, which shall be submitted not later than the 31st day of December of the relevant year to the National Revenue Agency

territorial directorate exercising competence over the place of registration of the National Assembly of the Republic of Bulgaria.

(2) The tax on the additional expenses of the National Representatives shall be remitted on or before the 31st day of December of the relevant year.

PART FIVE
ALTERNATIVE TAXES

Chapter Thirty-One
GENERAL DISPOSITIONS

Alternative Tax

Article 218. (1) The taxable persons specified in this Part shall be liable, instead of corporation tax, to an alternative tax in respect of the activities specified in this Part.

(2) In respect of all other activities, the persons referred to in Paragraph (1) shall be liable to corporation tax, with the exception of public-finance enterprises.

Alternative Tax upon Expungement/Dissolution

Article 218a. (New, SG No. 98/2018, effective 1.01.2019) (1) The last representative of the taxable person: liquidator, trustee in bankruptcy, the representative of a permanent establishment, an unincorporated association or a social insurance fund, shall declare and shall remit the tax due as withheld from the property of the taxable person whereof the time limit for submission expires after the date of expungement/dissolution.

(2) In the cases referred to in Paragraph (1), the tax for the tax period during which the expungement/dissolution was effected shall be declared and remitted within 30 days from the date of expungement/dissolution.

(3) Where the date of expungement/resolution precedes the 31st day of March and the annual tax return for the preceding year was not submitted, the said return shall be submitted within the time limit referred to in Paragraph (2), where the said time limit expires before the 31st day of March.

Chapter Thirty-Two
TAX ON GAMBLING ACTIVITY

Section I
General Provisions

Record-keeping

Article 219. (Supplemented, SG No. 95/2009, effective 1.01.2010, amended, SG No. 94/2012, effective 1.01.2013) (1) The taxable persons under this Chapter shall be obligated to keep detailed records and to store information sufficient for establishing their liabilities under this Act by the revenue authorities of the National Revenue Agency.

(2) (Repealed, SG No. 1/2014, effective 1.01.2014).

(3) (Repealed, SG No. 1/2014, effective 1.01.2014).

(4) (New, SG No. 15/2013, effective 1.01.2013) The tax on ancillary and auxiliary activities within the meaning given by the Gambling Act shall be declared by an annual tax return in a standard form, which shall be submitted not later than the 31st day of March of the next succeeding year to the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable person.

(5) (New, SG No. 15/2013, effective 1.01.2013) The taxable persons under this Chapter shall submit an annual activity report on or before the 31st day of March of the next succeeding year to the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable person.

Section II

(Repealed, SG No. 1/2014, effective 1.01.2014)
Tax on Gambling Activities of Toto and Lotto, Betting Games on Outcome of Sports Competitions and Horse and Dog Races, Betting Games on Uncertain Events and Betting Related to Right Guessing of Facts, Including Remotely Organized Ones
(Heading amended, SG No. 94/2012, effective 1.01.2013)

Article 220. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 221. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 222. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 223. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 224. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 225. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 226. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Section III

(Repealed, SG No. 1/2014, effective 1.01.2014)
Tax on Gambling Activity of Lotteries, Raffles and Bingo and Keno

Numbers Lotteries, Including Remotely Organised Ones (Heading amended, SG No. 94/2012, effective 1.01.2013)

Article 227. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 228. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 229. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 230. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 231. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 232. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 233. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Article 234. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

Section IV

Tax on Gambling Activity of Games where the Bet Consists in the Charge for Telephone or Another Electronic Communication Service (Heading amended, SG No. 94/2012, effective 1.01.2013, SG No. 1/2014, effective 1.01.2014)

General Provisions

Article 235. (Amended, SG No. 94/2012, effective 1.01.2013, SG No. 1/2014, effective 1.01.2014) The gambling activity of games where the bet consists in the charge for a telephone or another electronic communication service shall attract a tax on gambling activity which shall be final.

Taxable Persons

Article 236. (Amended, SG No. 94/2012, effective 1.01.2013, SG No. 1/2014, effective 1.01.2014) Taxable persons according to the procedure established by this Section shall be the organizers of games of chance where the bet consists in the charge for a telephone or another electronic communication service.

Tax Base

Article 237. (Amended, SG No. 94/2012, effective 1.01.2013) The tax base for assessment of the tax under this Section shall be the increase in the charge for the telephone or another electronic communication service.

Tax Rate

Article 238. (Amended, SG No. 95/2009, effective 1.01.2010) The tax rate under this Section shall be

15 per cent.

Declaring of Bets Made and of Tax

Article 239. (Amended, SG No. 94/2012, effective 1.01.2013) (1) The organizer of the game of chance shall declare the bets made and the tax under this Section to the National Revenue Agency territorial directorate exercising competence over the place of registration of the said organizer on or before the 10th day of the month next succeeding the month of conduct of the games, by means of a return in a standard form.

(2) The operator of the telephone or another electronic communication service shall declare the bets made and the tax under this Section to the National Revenue Agency territorial directorate exercising competence over the place of registration of the said operator on or before the 10th day of the month next succeeding the month of conduct of the games, by means of a return in a standard form.

(3) (New, SG No. 75/2016, effective 27.09.2016) Where the organiser of the game of chance is a non-resident legal person carrying out an activity through a permanent establishment in the country, the first return referred to in Paragraph (1) for the relevant year shall state identification data on the owners, shareholders or partners in the non-resident legal person and on the amount of the participating interest thereof, where the amount of the said participating interest exceeds 10 per cent.

Tax Remittance

Article 240. (Amended, SG No. 94/2012, effective 1.01.2013) (1) The tax on gambling activity under this Section shall be withheld and remitted by the operator of the telephone or another electronic communication service on or before the 10th day of the month next succeeding the month of conduct of the games.

(2) The operator of the telephone or another electronic communication service shall be obligated to satisfy itself that the organizer of the game of chance has obtained authorization from the State Commission on Gambling and to present to the National Revenue Agency territorial directorate the contract whereunder the said operator takes the bets, incorporating a clause on the increase in the charge for the telephone or another communication service.

Income from Ancillary and Auxiliary Activities

Article 241. (1) Any income accruing from ancillary and auxiliary activities within the meaning given by the Gambling Act shall attract an alternative tax on the value of the said income at the rate of 12 per cent.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) The tax shall be remitted by the organizer of the game of chance on or before the 31st day of March of the next succeeding calendar year.

Section V

Tax on Gambling Activity of Games on Gambling Machines and Games at a Gambling Casino
(Heading amended, SG No. 94/2012, effective 1.01.2013, SG No. 1/2014, effective 1.01.2014)

General Dispositions

Article 242. (Amended, SG No. 94/2012, effective 1.01.2013) (1) (Redesignated from Article 242, amended, SG No. 1/2014, effective 1.01.2014) The gambling activity of games on gambling machines

and games at a gambling casino shall attract a tax on gambling activity which shall be final.

(2) (New, SG No. 1/2014, effective 1.01.2014) The gambling activity of games on gambling machines and games at a gambling casino, organised online, shall attract corporation tax.

Taxable Persons

Article 243. (Amended, SG No. 94/2012, effective 1.01.2013, SG No. 1/2014, effective 1.01.2014) Taxable persons under this Section shall be the organizers of games of chance referred to in Article 242 (1) herein.

Tax Assessment

Article 244. (Amended, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 23/2013, effective 8.03.2013) The tax on gambling activity under this Section shall be assessed in respect of the devices entered in the certificate of granted licence and operated:

1. (amended, SG No. 1/2014, effective 1.01.2014) gambling machines at a gambling hall, respectively each player's place at such machines;

2. (amended, SG No. 1/2014, effective 1.01.2014) gambling tables and gambling machines at a gambling casino, respectively each player's place at such tables and machines.

Amount of Tax

Article 245. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 94/2012, effective 1.01.2013) (1) The amount of the tax on gambling activity under this Section shall be as follows:

1. (amended, SG No. 1/2014, effective 1.01.2014) in respect of a gambling machine at a gambling hall and a gambling casino, respectively, each player's place at such a machine: BGN 500 per quarter;

2. (amended, SG No. 1/2014, effective 1.01.2014) in respect of a roulette at a casino per gambling table: BGN 22,000 per quarter for each gambling table;

3. (amended, SG No. 1/2014, effective 1.01.2014) in respect of any other gambling equipment at a casino: BGN 5,000 per quarter for each gambling equipment;

4. (repealed, SG No. 1/2014, effective 1.01.2014).

(2) (Amended, SG No. 23/2013, effective 8.03.2013) No tax shall be due under Items 1 to 3 of Paragraph (1) for the quarters prior to the grant and after the withdrawal of the licence to organize games of chance played on the relevant gambling equipment.

(3) (Amended, SG No. 23/2013, effective 8.03.2013) The tax under Items 1 to 3 of Paragraph (1) shall be due in full amount for the quarter in which the licence to organize games of chance played on the relevant gambling equipment is granted or withdrawn.

(4) In the cases referred to in Article 40 of the Gambling Act the tax under Items 1 to 3 of Paragraph (1) shall be due in full amount for the quarter during which the activity was suspended or resumed.

Declaring of Tax

Article 246. (Amended, SG No. 94/2012, effective 1.01.2013) (1) The taxable persons shall declare the tax under this Section by submitting a tax return in a standard form on or before the 15th day of the month next succeeding the quarter.

(2) The tax return referred to in Paragraph (1) shall be submitted to the National Revenue Agency

territorial directorate exercising competence over the place of registration of the person.

(3) (New, SG No. 75/2016, effective 27.09.2016) Where the taxable person is a non-resident legal person carrying out an activity through a permanent establishment in the country, the first return referred to in Paragraph (1) for the relevant year shall state identification data on the owners, shareholders or partners in the non-resident legal person and on the amount of the participating interest thereof, where the amount of the said participating interest exceeds 10 per cent.

Tax Remittance

Article 247. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 94/2012, effective 1.01.2013) The tax on gambling activity under this Section shall be remitted within the time limits for declaring of the said tax.

Chapter Thirty-Three
TAX ON PUBLIC-FINANCED ENTERPRISES' INCOME

General Provisions

Article 248. Any income accruing to any public-financed enterprise from any transactions covered under Article 1 of the Commerce Act, as well as from rent of movable and immovable property, shall attract a tax on income according to the procedure established by this Chapter.

Tax Base

Article 249. (Amended, SG No. 94/2012, effective 1.01.2013) The taxable amount for assessment of the tax on income shall be the income accruing to the public-financed enterprise from any transactions covered under Article 1 of the Commerce Act, as well as from rent of movable and immovable property, charged during the relevant year.

Tax Rates

Article 250. (1) The rate of tax on income shall be 3 per cent.

(2) The rate of tax on income accruing to the municipalities shall be 2 per cent.

Tax Retention

Article 251. (1) (Amended, SG No. 79/2015, effective 1.08.2016) Any public-financed scientific research enterprise, public higher school, state-owned and municipal school included in the pre-school and school education system shall be allowed to retain 50 per cent of the tax on income [due therefrom] in respect of the economic activity thereof as is directly related or auxiliary to the implementation of the core activity thereof.

(2) The tax so retained shall be shown as a written-off obligation to the State.

Declaring of Tax

Article 252. (1) (Redesignated from Article 252, SG No. 95/2009, effective 1.01.2010) Any public-financed enterprises subject to levy of a tax on income for the relevant year shall submit an annual tax return in a standard form on or before the 31st day of March of the next succeeding year.

(2) (New, SG No. 95/2009, effective 1.01.2010) The annual activity report shall be submitted together

with the annual tax return.

Tax Remittance

Article 253. (Amended, SG No. 94/2012, effective 1.01.2013) The tax on income shall be remitted on or before the 31st day of March of the next succeeding year.

Chapter Thirty-Four
TAX ON VESSELS OPERATION ACTIVITY

General Provisions

Article 254. (1) The taxable persons, specified in this Chapter, may elect that the vessels operation activity thereof attract a tax on vessels operations activity.

(2) The tax referred to in Paragraph (1) shall be levied on the taxable persons which have elected to be liable for the said tax for a period not exceeding five years.

Taxable Persons

Article 255. (1) (Redesignated from Article 255, SG No. 94/2010, effective 1.01.2011) Taxable persons according to the procedure established by this Chapter shall be the persons carrying out maritime merchant shipping which simultaneously fulfil the following conditions:

1. they are corporations registered under the Commerce Act, or permanent establishments of a corporation which is resident for tax purposes in another Member State of the Economic Union, or a Member State of the European Economic Area, according to the relevant tax legislation and by virtue of a convention for the avoidance of double taxation with a third State is not considered to be resident for tax purposes in another State outside the European Union or the European Economic Area;

2. (amended, SG No. 94/2010, effective 1.01.2011) they operate their own vessels or chartered vessels, as well as charter vessels;

3. they do not refuse to train apprentices on board the vessels, with the exception of the cases where the number of apprentices exceeds one per fifteen officer members of the ship's complement;

4. they man the vessel with Bulgarian citizens or with nationals of other Member States of the European Union or of the European Economic Area;

5. (amended, SG No. 94/2010, effective 1.01.2011) vessels flying the Bulgarian flag or a flag of another Member State of the European Union or of the European Economic Area account for at least 60 per cent of the net tonnage of the vessels operated;

6. (new, SG No. 94/2010, effective 1.01.2011) they carry out the activity thereof in conformity with the requirements of the international conventions and the law of the European Union regarding the safety and security of navigation, protection of the environment from pollution by vessels and the living and working conditions on board the vessel.

(2) (New, SG No. 94/2010, effective 1.01.2011) Taxable persons according to the procedure established by this Chapter shall furthermore be the persons carrying out maritime merchant shipping where the said persons manage vessels on the basis of management agreements and simultaneously meet the following requirements:

1. the conditions referred to in Items 1, 5 and 6 of Paragraph (1) are fulfilled in respect of the said persons;

2. more than half of the office on-shore personnel or of the crew is composed of Bulgarian citizens or of nationals of other Member States of the European Union or of the European Economic Area;

3. at least two-thirds of the tonnage of the vessels managed is managed by companies which are resident for tax purposes in a Member State of the European Union or in another State which is a Contracting Party to the Agreement on the European Economic Area.

Restrictions on Scope of Tax

Article 256. The taxable persons shall not have the right to apply the procedure for taxation under this Chapter in respect of:

1. any seagoing vessels of a net tonnage under 100 tons;

2. any fishing vessels;

3. any pleasure vessels, with the exception of passenger vessels;

4. any vessels which the taxable persons have provided for management or under a bareboat charter, with the exception of the cases where any such vessels have been provided to the State;

5. any rigs for extraction of subsurface resources, any oil production platforms, and any vessels engaged in dredging operations and in tugging and towage operations.

Tax Base

Article 257. (1) The tax base per vessel per day of service shall be determined as follows:

1. in respect of any vessel of a net tonnage of up to 1,000 tons inclusive: BGN 3.50 for each 100 tons or fraction;

2. in respect of any vessel of a net tonnage from 1,001 up to 10,000 tons inclusive: BGN 35 plus BGN 3.00 for each 100 tons or fraction;

3. in respect of any vessel of a net tonnage from 10,001 up to 25,000 tons inclusive: BGN 305 plus BGN 2.50 for each 100 tons or fraction above 10,000 tons;

4. in respect of any vessel of a net tonnage in excess of 25,001 tons: BGN 680 plus BGN 1 for each 100 tons or fraction above 25,000 tons.

(2) (Amended, SG No. 94/2012, effective 1.01.2013) The taxable amount per ship for the calendar year shall be determined by multiplying the taxable amount for the relevant vessel per day of service, as determined according to the procedure established by Paragraph (1), by the days of service of the relevant vessel during the calendar year.

(3) The taxable amount for assessment of the tax under this Chapter shall be the sum total of the taxable amounts determined for each vessels according to the procedure established by Paragraph (2).

Tax Rate

Article 258. The tax rate under this Chapter shall be 10 per cent.

Declaring of Tax

Article 259. (1) The taxable persons shall exercise the right of choice thereof to levy of a tax under this Chapter by means of submission of a declaration in a standard form on or before the 31st day of December of the receding year.

(2) The taxable persons shall submit an annual tax return in a standard form on the tax due under this Chapter on or before the 31st day of March of the next succeeding year.

(3) (New, SG No. 95/2009, effective 1.01.2010) An annual activity report shall be submitted together with the annual tax return.

(4) (New, SG No. 75/2016, effective 27.09.2016) Where the taxable person is a non-resident legal person carrying out an activity through a permanent establishment in the country, the first return referred to in Paragraph (2) shall state identification data on the owners, shareholders or partners in the non-resident legal person and on the amount of the participating interest thereof, where the amount of the said participating interest exceeds 10 per cent.

Tax Remittance

Article 260. (Amended, SG No. 94/2012, effective 1.01.2013) The taxable persons shall remit the tax due under this Chapter on or before the 31st day of March of the next succeeding year.

PART SIX
ADMINISTRATIVE PENALTY PROVISIONS

Chapter Thirty-Five
ADMINISTRATIVE VIOLATIONS AND SANCTIONS

Article 261. (1) Any taxable person, which fails to submit a tax return under this Act, which fails to submit any such return when due, or which fails to state or misstates any particulars or circumstances leading to underassessment of the tax due or to undue reduction, retention of or exemption from tax, shall be liable to a pecuniary penalty of BGN 500 or exceeding this amount but not exceeding BGN 3,000.

(2) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty of BGN 1,000 or exceeding this amount but not exceeding BGN 6,000.

Article 262. (1) Any taxable person, which fails to submit any supplement to the annual tax return or which states any untrue particulars or circumstances in any such supplement, shall be liable to a pecuniary penalty of BGN 100 or exceeding this amount but not exceeding BGN 1,000.

(2) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty of BGN 200 or exceeding this amount but not exceeding BGN 2,000.

Article 262a. (New, SG No. 109/2013, effective 1.01.2014) (1) Any failure to provide or any overdue

provision of information under Article 201 (5) and (6) herein, as well as any stating of untrue or deficient particulars, shall be punishable by a pecuniary penalty not exceeding BGN 250, unless the person is liable to a severer sanction.

(2) For any violations under Paragraph (1), committed in respect of more than one legal person for which information must be provided, the pecuniary penalty shall be imposed separately for each legal person.

(3) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty not exceeding BGN 500.

Article 262b. (New, SG No. 96/2019, effective 1.01.2020) (1) Any taxable person, who or which fails to fulfil the obligation thereof under Article 155d (9) herein, fails to fulfil the said obligation in due time, fails to state or misstates any particulars or circumstances leading to the non-application of Article 155d (7) herein, shall be liable to a pecuniary penalty of BGN 3,000 or exceeding this amount but not exceeding BGN 5,000.

(2) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty of BGN 6,000 or exceeding this amount but not exceeding BGN 10,000.

Article 263. (1) Any taxable person, which accounts for any business transaction in breach of the accounting policies thereof and this leads to a misdetermination of the accounting financial result of the said person, shall be liable to a pecuniary penalty of BGN 100 or exceeding this amount but not exceeding BGN 1,000 for each such breach.

(2) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty of BGN 200 or exceeding this amount but not exceeding BGN 2,000.

Article 264. (Amended, SG No. 98/2018, effective 1.01.2019) (1) The representative of the taxable person, including the holder of the position of liquidator, trustee in bankruptcy or representative of a permanent establishment, an unincorporated association or a social insurance fund, who by any act or omission commits any violation specified in Articles 261, 262 or 263 herein, shall be liable to a pecuniary penalty or a fine of BGN 200 or exceeding this amount but not exceeding BGN 1,000.

(2) Any repeated violation under Paragraph (1) shall be punishable by a pecuniary penalty or a fine of BGN 400 or exceeding this amount but not exceeding BGN 2,000.

Article 265. (Amended, SG No. 110/2007) Any taxable person, who or which fails to issue an accounting source document for the accounting for income, shall be liable to the sanction under Article 182 of the Value Added Tax Act unless subject to a severer sanction.

Article 266. (Amended, SG No. 110/2007) Any taxable person, who or which fails to fulfil the obligation thereof under Article 10 (4) herein, shall be liable to the sanction under Article 185 of the Value Added Tax Act.

Article 267. (Amended, SG No. 110/2007) (1) (Redesignated from Article 267, amended, SG No. 100/2013, effective 1.01.2014) Any taxable person, which effects a hidden profit distribution, shall be liable to a pecuniary penalty to the amount of 20 per cent of the sum constituting a hidden profit distribution.

(2) (New, SG No. 100/2013, effective 1.01.2014) In the cases where a taxable person which has

effected a hidden profit distribution states this circumstance in the tax return thereof, the sanction referred to in Paragraph (1) shall not be imposed.

Article 268. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 269. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 270. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 271. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 272. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 273. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 274. (Repealed, SG No. 1/2014, effective 1.01.2014).

Article 275. (Repealed, SG No. 94/2010, effective 1.01.2011).

Article 276. (Amended, SG No. 95/2009, effective 1.01.2010, supplemented, SG No. 99/2011, effective 1.01.2012, amended, SG No. 98/2018, effective 1.01.2019) Any taxable person, which fails to fulfil the obligations thereof under Article 92 (3), Article 219 (5), Article 252 (2) or Article 259 (3) herein, shall be liable to a pecuniary penalty of BGN 500 or exceeding this amount but not exceeding BGN 2,000 and, upon a repeated commission of the violation, to a pecuniary penalty of BGN 1,500 or exceeding this amount but not exceeding BGN 5,000.

Article 277. (1) Any taxable persons, which have applied the procedure for taxation under Chapter Thirty-Four herein without qualifying for the right of choice, shall be liable to a pecuniary penalty of BGN 20,000 or exceeding this amount but not exceeding BGN 30,000 and, upon a repeated commission of the violation, to a pecuniary penalty of BGN 40,000 or exceeding this amount but not exceeding BGN 60,000.

(2) The persons referred to in Paragraph (1) shall have no right to apply the procedure for taxation of the vessels operation activity for a period of five years.

Article 277a. (New, SG No. 106/2008, effective 1.01.2009, amended, SG No. 94/2010, effective 1.01.2011) (1) Any person, which has provided employers with food vouchers within an individual quota received, which are of a nominal value exceeding the said individual quota, shall be liable to a pecuniary penalty to an amount equivalent to the excess of the nominal value of the food vouchers provided to employers within the individual quota received over the said individual quota but in any case not less than BGN 2,000.

(2) Any person, which has provided employers with food vouchers without having received an individual quota, shall be liable to a pecuniary penalty to an amount equivalent to the nominal value of the food vouchers provided to employers but in any case not less than BGN 2,000.

(3) (New, SG No. 94/2012, effective 1.01.2013) Any person, which has provided employers with food vouchers that do not conform to the terms and procedure for printing of food vouchers, established by the Ordinance referred to in Article 209 (6) herein, shall be liable to a pecuniary penalty to an amount equivalent to the nominal value of the food vouchers provided but not less than BGN 2,000.

Article 277b. (New, SG No. 106/2008, effective 1.01.2009) Any food voucher operator, which fails to submit a statement on the vouchers provided and paid (cashed in), shall be liable to a pecuniary penalty of BGN 1,000 or exceeding this amount but not exceeding BGN 1,500 and, upon a repeated commission of the violation, to a pecuniary penalty of BGN 2,000 or exceeding this amount but not

exceeding BGN 2,500.

Article 277c. (New, SG No. 94/2010, effective 1.01.2011) Any food voucher operator, which fails to fulfil the requirements of Article 209 (8) herein for payments in connection with food vouchers provided, shall be liable to a pecuniary penalty of BGN 10,000 or exceeding this amount but not exceeding BGN 15,000, and upon a repeated commission of the violation, to a pecuniary penalty of BGN 20,000 or exceeding this amount but not exceeding BGN 30,000.

Article 277d. (New, SG No. 98/2018, effective 1.01.2019) Any taxable person, which fails to fulfil the obligations thereof under Article 47e herein or states untrue data and circumstances in the register referred to in that Article, shall be liable to a pecuniary penalty of BGN 3,000 or exceeding this amount but not exceeding BGN 5,000 and, upon a repeated commission of the violation, to a pecuniary penalty of BGN 6,000 or exceeding this amount but not exceeding BGN 10,000.

Article 278. (1) The written statements ascertaining the violations shall be drawn up by the authorities of the National Revenue Agency, and the penalty decrees shall be issued by the Executive Director of the National Revenue Agency or by an official authorized thereby.

(2) The ascertainment of violations, the issue, appeal against and enforcement of penalty decrees shall follow the procedure established by the Administrative Violations and Sanctions Act.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning given by this Act:

1. "The country" shall be the geographical territory over which the Republic of Bulgaria exercises the State sovereignty thereof, as well as the continental shelf and the exclusive economic zone wherewithin the Republic of Bulgaria exercises sovereign rights in conformity with international law.

2. "Permanent establishment" shall be a permanent establishment within the meaning given by Item 5 of § 1 of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

3. "Financial asset" shall be the asset as defined in the applicable accounting standards, including the compensation instruments within the meaning given by Article 2 of the Transactions in Compensation Instruments Act. Where the person is not an enterprise within the meaning given by the Accountancy Act, the applicable accounting standards for the purposes of sentence one shall be the international accounting standards applicable in the country for the relevant year.

4. "Dividend" shall be the distribution in favour of a person, arising from the holding that such person has in the capital of another person, resulting in a reduction of the owners' equity of the latter, including:

(a) income from shares;

(b) income from participating interests, even in unincorporated associations, and from other corporate rights, where treated as income from shares;

(c) hidden profit distribution.

Any distribution which, according to accounting legislation, has been accounted for at the distributing person as an expense shall not be a dividend, with the exception of the cases of hidden profit distribution.

5. (Amended, SG No. 110/2007) "Hidden profit distribution" shall be:

(a) (amended, SG No. 95/2009, effective 1.01.2010) any amounts not connected with the activity carried out by a taxable person or exceeding the customary market levels, which are charged, paid or distributed in any form whatsoever in favour of shareholders, partners or any parties related thereto, with the exception of the dividends referred to in Item 4 (a) and (b);

(b) any expenses on interest payments charged (unless the conditions of the loan are agreed in conformity with requirements provided for in a statutory instrument) where at least three of the following conditions are fulfilled:

(aa) the loan exceeds the owners' equity of the payer of the income at the 31st day of December of the last preceding year;

(bb) the repayment of the loan or the payment of interest thereon is not limited by a fixed period;

(cc) the repayment of the loan or the payment of interest thereon depends on the existence or on the amount of profits accruing to the payer of the income;

(dd) the repayment of the loan depends on satisfaction of the claims of other creditors or on the payment of dividends.

6. "Share in a liquidation surplus" shall be the distribution of a share in the property of a person upon the dissolution thereof in favour or another person or upon cessation of membership of that other person.

7. "Interest payment" shall be income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, including interest paid on deposits with banks and income (premiums) from debentures and bonds. For the purposes of Part Three herein, any income which constitutes a dividend, penalty charges for late payments and damages shall not be regarded as interest payments.

8. (Supplemented, SG No. 95/2009, effective 1.01.2010) "Copyright and licence royalties" shall be payments of any kind received as a consideration for: the use of, or the right to use, any copyright of scientific, artistic or literary work, including cinematograph films and television films and recordings for transmission by radio or television or software; of any patent, trade mark, industrial design or utility model, drawing, plan, secret formula or process, as well as for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience. The payment for acquisition of a right to use software in which only a copy of the relevant program is incorporated shall not be considered to be copyright and licence royalties in case the rights to copy, reproduce, distribute, modify, publicly display or make commercial use in any other form are not granted. "Industrial, commercial or scientific equipment" shall be all corporeal movables, including means of transport, plant, means of production, means of provision of services and others, which the enterprises uses in the economic activity thereof.

9. "Technical assistance fees" shall be the payments from a source inside the Republic of Bulgaria for erection or installation of tangible assets, as well as any services of a consulting nature and marketing research as provided by any non-resident person.

10. "Franchising" shall be a totality of industrial or intellectual property rights relating to trade marks, trade names, logotypes, utility models, designs, copyright, know-how or patents, granted in return for a royalty, to be used for sale of goods and/or provision of services.

11. "Factoring" shall be a transaction whereby single or periodic monetary claims arising from a supply of goods or a provision of services are transferred, regardless of whether the person who has acquired the claims (the factor) assumes the risk of collection of the said claims in consideration of the

payment of a reward.

12. "Foreign tax credit" shall be the right, enjoyable under conditions as specified by this Act, to deduct a profits tax or a tax on income already paid abroad.

13. "Related parties" shall be the parties within the meaning given by Item 3 of § 1 of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

14. "Market price" shall be the price within the meaning given by Item 8 of § 1 of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

15. (Repealed, SG No. 96/2019, effective 1.01.2020).

16. "Accounting financial result" shall be the profit (loss) according to the profit-and-loss account (income statement) for a specified period before charging the tax expenses on the profit.

17. "Undistributable expenses" shall be all selling expenses, administrative, financial and extraordinary expenses which do not relate to a particular activity only and are associated with the implementation of any activity:

(a) in respect of which corporation tax retention is enjoyable, or

(b) subject to levy of corporation tax, performed by not-for-profit legal entities.

18. "Undistributable income" shall be all financial and extraordinary income which does not arise from the implementation of a particular activity only and is associated with implementation of any activity in respect of which corporation tax retention is enjoyable.

19. "Expenses on provisions for debts" shall be the expenses on provisions as accounted for, which meet the criteria for recognition of a provision according to the applicable accounting standards, including:

(a) the expected excesses of the total amount of expenses over income and the expected losses under construction contracts;

(b) the termination and post-employment benefits, equity compensation benefits and other long-term employee benefits.

20. "Debt capital", within the meaning given by Article 43 (6) herein, shall be the total liabilities of the enterprise, excluding the investment grants and subsidies.

21. (Amended, SG No. 52/2007, SG No. 106/2008, effective 1.01.2009) "Disposition of financial instruments" for the purposes of Articles 44 and 196 herein shall be any transactions:

(a) (supplemented, SG No. 109/2013, effective 1.01.2014, amended, SG No. 95/2015, effective 1.01.2016, SG No. 15/2018, effective 16.02.2018) in units and shares in collective investment schemes and in national investment funds, shares, rights and government securities, effected on a regulated market within the meaning given by Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act; "rights" for the purposes of sentence one shall be the securities entitling the holder to subscribe for a specified number of shares in connection with a passed resolution on an increase of capital;

(b) concluded under the terms and according to the procedure of repurchase or redemption by collective investment schemes which have been admitted to public offering in Bulgaria or in another Member State of the European Union, or in a State which is a Contracting Party to the Agreement on the European Economic Area;

(c) (new, SG No. 109/2013, effective 1.01.2014) concluded under the terms and according to the procedure of redemption by national investment funds which have been admitted to public offering in Bulgaria; the distribution of cash upon liquidation of national investment funds of the closed-end type shall furthermore be regarded as redemption;

(d) (renumbered from Littera (c), SG No. 109/2013, effective 1.01.2014) concluded under the terms and according to the procedure of tender offering under Section II of Chapter Eleven of the Public Offering of Securities Act, or transactions of analogous type in another Member State of the European Union, or in a State which is a Contracting Party to the Agreement on the European Economic Area.

22. (Amended, SG No. 110/2007) "Documented cost of acquisition of securities or interests" shall be the cost of acquisition of the relevant securities which the person has documented according to the procedure established by the relevant statutory instruments. Where securities or interests of a particular type, issued by a particular person, have been acquired at different prices and part of the said securities or interests are subsequently sold and it is impossible to prove which of the said securities or interests are sold, the cost of acquisition of the securities or interests sold shall be the weighted average price arrived at on the basis of the cost of acquisition of the securities or interests held at the time of the sale. Sentence two shall apply in all cases of acts of disposition of securities or interests. Where new shares or interests are acquired as a result of a distribution which has not led to a reduction of the owners' equity of the person distributing the shares or interests, the documented cost of acquisition of the shares or interests held shall be recalculated. After acquisition of the new shares or interests under the foregoing sentence, the documented cost of acquisition of each share or interest, including the newly acquired ones, shall equal the sum total of the documented costs of acquisition of the shares or interests prior to the acquisition of the new shares or interests, divided by the total number of shares or interests held after the acquisition, including the newly acquired ones.

23. "Computer peripheral equipment" shall be all devices which are connected to the basic input/output system of a computer or are controlled by a computer but are not essential for the functioning of the said computer.

24. "Development activity" shall be the activity of developing, designing, building and testing new goods, materials, manufacturing technologies and industrial systems and other industrial property items, as well as improving existing products and technologies.

25. "Tax loss from a source outside Bulgaria", for the purposes of Articles 73 and 74 herein, shall be the sum total of the losses from all permanent establishments in the respective foreign State.

26. "Financial institutions" shall be:

(a) (amended, SG No. 110/2007, effective 1.01.2007) the credit and financial institutions under the Credit Institutions Act;

(b) the insurers, reinsurers and non-resident persons carrying on insurance or reinsurance business through a permanent establishment under the Insurance Code;

(c) (supplemented, SG No. 52/2007, amended, SG No. 77/2011) the investment intermediaries under the Markets in Financial Instruments Act and the management companies under the Collective Investment Schemes and Other Undertakings for Collective Investments Act;

(d) the companies carrying on business for the provision of supplementary social insurance;

(e) (new, SG No. 110/2007, effective 1.01.2007, repealed, SG No. 100/2013, effective 1.01.2014).

27. (Amended, SG No. 95/2009, effective 1.01.2010, SG No. 105/2014, effective 1.01.2014)

"Unprocessed plant and animal produce" shall be any primary product derived from plants and animals, which is not subject to any technological processing or treatment whatsoever as a result of which any physico-chemical changes have occurred in the composition, and which is listed in Annex I to the Treaty on the Functioning of the European Union.

28. (Amended, SG No. 105/2014, effective 1.01.2014) "Productive activity" for the purposes of Article 184 herein, shall be the process of creating a new product by means of mechanical, physical or chemical conversion (treatment or processing) of raw and prime materials for the purpose of subsequent sale, as well as biological transformation of live animals or plants. Creating a new product in the energy and aviation sector, including the construction of airports, airport infrastructure and associated activities, in the cases of regional aid, shall not qualify as productive activity.

29. (Amended, SG No. 110/2007, effective 1.01.2007, SG No. 95/2015, effective 1.01.2016) "Initial investment" shall be an investment in new tangible and intangible assets, which are eligible costs related to:

1. the setting up of a new production facility;

2. the extension of the capacity of an exiting production facility;

3. the diversification of the output of a production facility into products not previously produced in the facility;

4. a fundamental change in the overall production process of an existing production facility.

An investment in an asset which replaces an existing asset shall not qualify as initial investment.

30. (Amended, SG No. 110/2007, effective 1.01.2007, SG No. 105/2014, effective 1.01.2014, SG No. 22/2015, effective 1.01.2014) "Undertaking in difficulty", for the purposes of Item 3 of Article 182 (1) herein, shall be an undertaking within the meaning given by the Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (OJ, C 249/1 of 31 July 2014), and, for the purposes of Article 182 (5) herein, shall be an undertaking within the meaning of Commission Regulation (EU) No. 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors 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 (OJ, L 193/1 of 1 July 2014).

31. (Amended, SG No. 110/2007, effective 1.01.2007, SG No. 105/2014, effective 1.01.2014) "De minimis aid" shall be the aid within the meaning given by 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.

32. "Market rate of interest" shall be the interest that would have been paid under the same conditions for credit extended or received under any form whatsoever under a transaction between parties who or which are not related. The market rate of interest shall be determined according to the conditions of the market, taking into account all quantitative and qualitative characteristics of the transaction: form, amount and currency of the resources provided, period of the provision thereof, type, amount and liquidity of the collateral security, credit risk and other risks related to the transaction, profile of the borrower or lessee, as well as all other conditions and circumstances influencing the rate of interest.

33. "Advertising expenses" shall be the expenses incurred for the promotion of goods and service, including gifts which bear the trade name or the trade mark of the taxable persons, within the limits of the customary for the activity carried out by the person.

34. "Expenses on fringe benefits provided in kind" shall be the perquisites accounted for as expenses

covered under Article 294 of the Labour Code and provided according to the procedure and manner defined in Article 293 of the Labour Code or according to a procedure and manner determined by the management of the enterprise. The said perquisites must be available to all factory and office workers and to the persons hired under a management and control contract. Where monetary relationships under any form whatsoever exist between the employer of commissioning entity and the persons referred to in sentence two in respect of the perquisites received, this shall not represent provision of expenses on fringe benefits in kind.

35. (Amended, SG No. 94/2010, effective 1.01.2011) "Operator" within the meaning given by Article 209 herein, shall be any person which has obtained authorization from the Minister of Finance and which engages in the activities of printing, organizing, control and settlement in connection with food vouchers according to a procedure established by an ordinance of the Minister of Labour and Social Policy and the Minister of Finance.

36. "Food vouchers" shall be a type of paper medium of exchange provided through an employer to factory and office workers, including persons hired under management contracts, which are used as a medium of payment at restaurants, fast-food outlets and food trading establishments, according to a contract for provision of services concluded with an operator.

37. "Passenger car" shall be such car as defined in the Road Traffic Act.

38. "Extra bus services" shall be bus services running according to an endorsed transportation scheme in a mode allowing the vehicles to stop and passengers to alight and board at request where this is legally possible, complementing the principal urban transport services without fully duplicating them.

39. (Repealed, SG No. 75/2016, effective 1.01.2016).

40. "Means of transport" shall be the means of transport as specified in Section Four of Chapter Two of the Local Taxes and Fees Act, regardless of whether entered in a register kept according to Bulgarian legislation.

41. "Vessels operation activities" shall be:

(a) the effecting of carriage by sea by means of vessels of a net tonnage exceeding 100 tons, the chartering of any such vessels, as well as the sale of vessels subject to tonnage taxation, which have been acquired not less than five years prior to the sale thereof;

(b) carriage by land, related to the carriage by sea, administrative and insurance services and other services provided to customers in connection with the effecting of the carriage by sea;

(c) financial operations and value adjustments resulting from exchange rate fluctuation, related to the management of the working capital used for the vessels operation;

(d) extraordinary activities related to the vessels operation, which do not come within the scope of Litterae (a) to (c) and which generate a turnover which does not exceed 0.25 per cent of the turnover generated by the activities referred to in Litterae (a) and (b);

(e) (new, SG No. 94/2010, effective 1.01.2011) vessels management activities on the basis of management agreements according to Items 1 to 7, 9 and 10 of Article 225a of the Merchant Shipping Code.

42. "Days of service" shall be the days on which the vessel is engaged in carriage and/or performs any activities related to carriage. The days of service shall exclude the time for repairs or in a port, as well as the time during which the vessel is not engaged in carriage and/or does not perform any activities related to carriage due to detention or force majeure.

43. "Net tonnage" shall be the measure, in tons, of the useful deadweight (cargo carrying capacity) of a vessel as certified by a tonnage certificate of the vessel.

44. "Repeated violation" shall be any violation which is committed within one year after the entry into effect of a penalty decree whereby the offender was penalized for a violation of the same kind.

45. (New, SG No. 110/2007, effective 1.01.2007, amended, SG No. 105/2014, effective 1.01.2014) "Agricultural products", "processing of agricultural products" and "marketing of agricultural products" shall have the meaning given to these terms by Article 2, paragraph 1 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.

46. (New, SG No. 110/2007, effective 1.01.2007) "Eligible expenditure on material assets" for the purposes of Items 29 and 48 shall be land, buildings, machinery and plant/equipment. The initial investments shall furthermore include the machinery and plant/equipment acquired under a financial lease contract where the contract contains an obligation to purchase the asset at the expiry of the term of the contract.

47. (New, SG No. 110/2007, effective 1.01.2007) "Eligible expenditure on immaterial assets" for the purposes of Items 29 and 48 shall be assets obtained as a result of transfer of technology by the acquisition of patent rights, licences, know-how or unpatented technical knowledge.

48. (New, SG No. 110/2007, effective 1.01.2007) "Large investment project" shall be an initial investment which includes eligible expenditure on material and immaterial assets combined in an economically indivisible way, where the eligible expenditure exceeds the lev equivalent of EUR 50 million, determined according to the official exchange rate of the lev against the euro. The initial investment related to a large investment project must be undertaken within a period of three years. A large investment project may not be divided into sub-projects or stages, if this would lead to circumvention of the provisions in this Act.

49. (New, SG No. 110/2007, effective 1.01.2007) "Net turnover" shall have the meaning given to this term by the Accountancy Act.

50. (New, SG No. 110/2007, effective 1.01.2007) "Equity method" shall have the meaning given to this term by accounting legislation.

51. (New, SG No. 110/2007, effective 1.01.2007) "Proportionate consolidation method" shall have the meaning given to this term by accounting legislation.

52. (New, SG No. 110/2007, effective 1.01.2007) "Jointly controlled entity" shall have the meaning given to this term by accounting legislation.

53. (New, SG No. 106/2008, effective 1.01.2009) "Supplementary voluntary social insurance" shall be the social insurance within the meaning given by Item 12 of § 1 of the Supplementary Provisions of the Income Taxes on Natural Persons Act.

54. (New, SG No. 106/2008, effective 1.01.2009) "Voluntary health insurance" shall be the health insurance within the meaning given by Item 13 of § 1 of the Supplementary Provisions of the Income Taxes on Natural Persons Act.

55. (New, SG No. 106/2008, effective 1.01.2009) "Life assurances" shall be the classes of insurance within the meaning given by Item 14 of § 1 of the Supplementary Provisions of the Income Taxes on Natural Persons Act.

56. (New, SG No. 95/2009, effective 1.01.2010) "Annual activity report" shall be the report referred to

in Article 20 (4) of the Statistics Act.

57. (New, SG No. 95/2009, effective 1.01.2010) "Accounting income, accounting expenses, accounting financial result, assets, liabilities and owner's equity of a non-resident person of a Member State of the European Union or from another State which is a Contracting Party to the Agreement on the European Economic Area, which carries out economic activity in the country solely under the freedom to provide services" shall be those within the meaning of the international accounting standards applicable in the country for the relevant year.

58. (New, SG No. 95/2009, effective 1.01.2010) "Accounting income, accounting expenses, accounting financial result, assets, liabilities and owners' equity of a non-resident legal person of a Member State of the European Union or from another State which is a Contracting Party to the Agreement on the European Economic Area" for the purposes of assessment of the corporate tax under Article 202a (2) herein shall be those within the meaning of the international accounting standards applicable in the country for the relevant year.

59. (New, SG No. 95/2009, effective 1.01.2010) "Disposition of property of a permanent establishment" shall furthermore be in place in the cases where the permanent establishment is transferred either independently or together with the entire enterprise.

60. (New, SG No. 95/2009, effective 1.01.2010) "Agricultural machinery" for the purposes of Article 189b herein shall be any self-propelled, non-self-propelled and stationary machines, plant, facilities and apparatus used in agriculture.

61. (New, SG No. 94/2010, effective 1.01.2011) "Total annual quota for provision of food vouchers" shall be the total nominal value of the food vouchers for the relevant year, which operators may provide to employers under the terms established by Article 209 herein.

62. (New, SG No. 94/2010, effective 1.01.2011) "Individual quota for provision of food vouchers" shall be the nominal value of the food vouchers which an operator may provide to employers within the said quota.

63. (New, SG No. 94/2010, effective 1.01.2011) "Maximum permissible annual rates of tax depreciation" for the purposes of Article 75 (4) herein shall be the maximum amounts of the annual rates of tax depreciation according to Article 55 herein or the maximum amounts of the rates of depreciation according to Article 22 of the Corporate Income Tax Act as superseded for the years preceding 2007.

64. (New, SG No. 94/2010, effective 1.01.2011, amended, SG No. 95/2015, effective 1.01.2016) "Preferential tax treatment jurisdictions" shall be any States/territories which are not Member States of the European Union, do not exchange information with the Republic of Bulgaria pursuant to Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC (OJ L64/1 of 11 March 2011) with its successive amendments and supplements, and fulfil two of the following conditions:

(a) there is no convention in place for the avoidance of double taxation between the Republic of Bulgaria and the State/territory concerned, or there is no bilateral or multilateral agreement in place on the exchange of information on request between the Republic of Bulgaria or the European Union and the State/territory concerned;

(b) there is a convention in place for the avoidance of double taxation between the Republic of Bulgaria and the State/territory concerned, or there is a bilateral or multilateral agreement in place on the exchange of information on request between the Republic of Bulgaria or the European Union and the State/territory concerned, but the State/territory concerned refuses or is unable to exchange

information on request;

(c) the income tax or corporation tax due or the substitute taxes on any income referred to in Article 12 (9) herein or in Article 8 (11) of the Income Taxes on Natural Persons Act on the income accruing to natural persons, which the non-resident person has realised or will realise; is by more than 60 per cent lower than the income tax or corporation tax on the said income in the Republic of Bulgaria.

The list of States/territories shall be endorsed by an order of the Minister of Finance on a motion by the Executive Director of the National Revenue Agency and shall be promulgated in the State Gazette.

65. (New, SG No. 94/2012, effective 1.01.2013) "Bribery", for the purposes of Item 12 of Article 26 herein, shall be the criminal offences under Articles 301 to 307 of the Criminal Code.

66. (New, SG No. 94/2012, effective 1.01.2013) "Public official" and "foreign public official" shall be those within the meaning given by Items 1 and 15 of Article 93 of the Criminal Code.

67. (New, SG No. 94/2012, effective 1.01.2013) "Date of suspension of activity by an organizer of games of chance", for tax purposes, shall be the date on which the taxable person has delivered its certificate of granted licence for safekeeping to the State Commission on Gambling.

68. (New, SG No. 94/2012, effective 1.01.2013) "Date of resumption of activity by an organizer of games of chance", for tax purposes, shall be the date next succeeding the date on which the taxable person has received its certificate of granted licence from the State Commission on Gambling.

69. (New, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 1/2014, effective 1.01.2014).

70. (New, SG No. 100/2013, effective 1.01.2014, amended, SG No. 15/2018, effective 16.02.2018) "Regulated market" shall have the meaning given to this term by Article 152, paragraph 1 and 2 of the Markets in Financial Instruments Act.

71. (New, SG No. 105/2014, effective 1.01.2014) "Single undertaking" shall be an undertaking within the meaning given by Article 2 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.

72. (New, SG No. 105/2014, effective 1.01.2014) "South-West Planning Region", for the purposes of Chapter Twenty-Two, shall include all nucleated settlements in the administrative regions of Sofia (Capital), Sofia, Blagoevgrad, Pernik and Kyustendil according to 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), as amended or replaced.

73. (New, SG No. 105/2014, effective 1.01.2014, amended, SG No. 95/2015, effective 1.01.2016) "Date of award of the aid", for the purposes of Article 188 and Article 189b herein, shall be the 31st day of December of the year for which corporation tax is retained, and for the purposes of Article 189 herein, shall be the date of the order referred to in Item 1 (b) of Article 189 herein.

74. (New, SG No. 105/2014, effective 1.01.2014, amended, SG No. 22/2015, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) "Large undertakings", for the purposes of Article 189b herein, shall be any undertakings which fulfil the criteria laid down in Annex I to Commission Regulation (EU) No. 702/2014 of 25 June 2014 declaring certain categories of aid in the agricultural and forestry sectors 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 (OJ L 193/1 of 1 July 2014), and, for the purposes of Article 184 in conjunction with Article 189 herein, the undertakings which do not fulfil the criteria laid down in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small

and medium-sized enterprises.

75. (New, SG No. 105/2014, effective 1.01.2015) "Additional expenses of the National Representatives" shall be the expenses referred to in Article 11 of the Appendix to the Rules of Organization and Procedure of the National Assembly "Financial Regulations for the National Assembly Budget".

76. (New, SG No. 95/2015, effective 1.01.2016) "Start of implementation", for the purposes of Article 189 herein, shall be the start of construction works on the initial investment or the first legally binding commitment to order tangible or intangible assets that makes the initial investment irreversible, whichever is the first in time. Buying of land and preparatory works such as obtaining permits and conducting preliminary feasibility studies are not considered as start of implementation of the project.

77. (New, SG No. 95/2015, effective 1.01.2016) "Steel sector" and "Synthetic fibres sector", for the purposes of Item 1 of Article 182 (1) herein, shall be those within the meaning given by Annex IV to the Guidelines on regional State aid for 2014 - 2020.

78. (New, SG No. 95/2015, effective 1.01.2016) "Group level", for the purposes of the tax relief constituting regional aid, shall be the persons falling under one of the relationships referred to in Item 4 of § 1 of the Additional Provisions of the Tax and Social-Insurance Procedure Code.

79. (New, SG No. 95/2015, effective 1.01.2016) "Single investment project" shall be any initial investment started by the same taxable person (at group level) in a period of three years from the date of start of works on another aided investment in the same NUTS 2 region, designated according to Regulation (EC) No. 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics.

80. (New, SG No. 95/2015, effective 1.01.2016) "Transport", for the purposes of Item 1 of Article 182 (1) herein, shall be transport of passengers by aircraft, maritime transport, road and railway and by inland waterway or freight transport services for hire or reward.

81. (New, SG No. 95/2015, effective 1.01.2016) "Airports", for the purposes of Item 28, are those according to the Community guidelines on the application of Articles 92 and 93 of the EC Treaty and Article 61 of the EEA Agreement in State aid to the aviation sector and the Community guidelines on financing of airports and start-up aid to airlines departing from regional airports, as amended or replaced.

82. (New, SG No. 95/2015, effective 1.01.2016) "Production facility" for the purposes of Item 29 shall be a specified place by means of which a taxable person carries out a productive activity, such as, for example: a studio, a plant, a workshop (factory), or any other facility through which a productive activity is carried out.

83. (New, SG No. 75/2016, effective 1.01.2016) "Expenses in kind" for the purposes of Item 4 of Article 204 (1) herein shall be the portion of the accounting expenses corresponding to the personal use of the assets and/or the staff which do not fall under Items 1 and 2 of Article 204 (1) herein and are associated with own assets, leased assets or assets and/or staff provided for use, used both for the activity and for personal use. Where the assets are tax depreciable assets, the tax depreciations shall be taken into account instead of the accounting expenses. Any expenses incurred to the benefit of natural persons, which constitute acquired income within the meaning given by Article 11 (3) of the Income Taxes on Natural Persons Act, shall not be expenses in kind for the purposes of Item 4 of Article 204 (1) herein. Any expenses associated with the use of own assets, leased assets or assets provided for use, provided for personal use and/or associated with the use of staff, shall not be expenses in kind, either, where remuneration is due for the use thereof.

84. (New, SG No. 98/2018, effective 1.01.2019, supplemented, SG No. 96/2019, effective 1.01.2020) "Associated enterprise", for the purposes of Article 47c and of Chapter Nine "b" herein herein, shall be:

(a) an entity in which the taxable person holds directly or indirectly a participation in terms of voting rights or capital ownership of 25 per cent or more or is entitled to receive 25 per cent or more of the profits of that entity;

(b) a natural person or entity which holds directly or indirectly a participation in terms of voting rights or capital ownership in a taxable person of 25 per cent or more or is entitled to receive 25 per cent or more of the profits of the taxable person.

If a natural person or entity holds directly or indirectly a participation of 25 per cent or more in a taxable person and one or more entities, all the entities concerned, including the taxable person, shall also be regarded as associated enterprises.

For the purposes of Chapter Nine "b" herein:

In the cases of Items 2 to 5 and 7 of Article 47f (1) and Item 3 of Article 47g herein, the 25 per cent requirement shall be replaced by a 50 per cent requirement.

A person who acts together with another person in respect of the voting rights or capital ownership of an entity shall be treated as holding a participation in all of the voting rights or capital ownership of that entity that are held by the other person.

An associated enterprise shall also be: an entity that is part of the same consolidated group for financial accounting purposes as the taxable person; an enterprise in which the taxable person has a significant influence in the management; or an enterprise that has a significant influence in the management of the taxable person.

85. (New, SG No. 98/2018, effective 1.01.2019, supplemented, SG No. 96/2019, effective 1.01.2020) "Entity", for the purposes of Chapter Nine "a" and Chapter Nine "b", shall be an entity within the meaning given by Item 51 of § 1a of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

86. (New, SG No. 98/2018, effective 1.01.2019) "Credit institution", for the purposes of Articles 43 and 43a herein, shall be a bank within the meaning given by Article 2 (1) of the Credit Institutions Act which has been licensed by the Bulgarian National Bank to carry out banking, as well as a person within the meaning given by point 1 of Article 4 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (OJ L 176/1 of 27 June 2013), of

another Member State, which has been licensed by the home Member State, which carries out banking within the territory of the Republic of Bulgaria through a branch.

87. (New, SG No. 96/2019, effective 1.01.2020) "Mismatch outcome", for the purposes of Chapter Nine "b" herein, shall be a double deduction or a deduction without inclusion.

88. (New, SG No. 96/2019, effective 1.01.2020) "Deduction" and "deductible", for the purposes of Chapter Nine "b" herein, shall be the expense or the amount leading to a decrease of the tax financial result under the laws of the payer or investor jurisdiction.

89. (New, SG No. 96/2019, effective 1.01.2020) "Inclusion" and "included", for the purposes of Chapter Nine "b" herein, shall be the income or the amount leading to an increase of the tax financial result under the laws of the payee jurisdiction. A payment under a financial instrument shall not be treated as included to the extent that the payment qualifies for any tax relief under the laws of the payee jurisdiction.

90. (New, SG No. 96/2019, effective 1.01.2020) "Tax relief", for the purposes of Item 89, shall be a tax exemption, reduction in the tax rate or any tax credit or refund of a tax paid (other than a foreign tax credit).

91. (New, SG No. 96/2019, effective 1.01.2020) "Double deduction", for the purposes of Chapter Nine "b" herein, shall be a deduction of the same payment, expenses or losses in the jurisdiction in which the payment has its source, the expenses are incurred or the losses are suffered (payer jurisdiction) and in another jurisdiction (investor jurisdiction). In the case of a payment by a hybrid entity or permanent establishment, the payer jurisdiction shall be the jurisdiction where the hybrid entity is formed or registered or is situated, or where the permanent establishment is established or situated.

92. (New, SG No. 96/2019, effective 1.01.2020) "Deduction without inclusion", for the purposes of Chapter Nine "b" herein, shall be a deduction of a payment or deemed payment between the head office of an entity and a permanent establishment thereof or between two or more permanent establishments of the same entity in any jurisdiction in which that payment or deemed payment is treated as made (payer jurisdiction) without a corresponding inclusion for tax purposes of that payment or deemed payment in the payee jurisdiction The payee jurisdiction shall be any jurisdiction where that payment or deemed payment is received, or is treated as being received according to the legislation of any other jurisdiction.

93. (New, SG No. 96/2019, effective 1.01.2020) "Dual inclusion income", for the purposes of Chapter Nine "b" herein, shall be any income that is included according to the legislation of both jurisdictions where the mismatch outcome has arisen.

94. (New, SG No. 96/2019, effective 1.01.2020) "Person", for the purposes of Chapter Nine "b" herein, shall be an individual or entity.

95. (New, SG No. 96/2019, effective 1.01.2020) "Hybrid entity", for the purposes of Chapter Nine "b" herein, shall be any entity or arrangement that is regarded as a taxable entity according to the legislation of one jurisdiction and whose income or expenditure is treated as income or expenditure of one or more other persons according to the legislation of another jurisdiction.

96. (New, SG No. 96/2019, effective 1.01.2020) "Financial instrument", for the purposes of Chapter Nine "b" herein, shall be any instrument to the extent that it gives rise to a financing or equity return that is taxed under the rules for taxing debt, equity or derivatives in accordance with the legislation of either the payee or payer jurisdictions and includes a hybrid transfer.

97. (New, SG No. 96/2019, effective 1.01.2020) "Hybrid transfer", for the purposes of Chapter Nine "b" herein, shall be any arrangement to transfer a financial instrument where the underlying return on the transferred financial instrument is treated for tax purposes as derived simultaneously by more than one of the parties to that arrangement.

98. (New, SG No. 96/2019, effective 1.01.2020) "On-market hybrid transfer", for the purposes of Chapter Nine "b" herein, shall be a hybrid transfer that is entered into by a financial trader in the ordinary course of business, and not as part of a structured arrangement.

99. (New, SG No. 96/2019, effective 1.01.2020) "Financial trader", for the purposes of Chapter Nine "b" herein, shall be a person which, in the ordinary course of business, transacts in financial instruments on its own account for the purposes of making a profit.

100. (New, SG No. 96/2019, effective 1.01.2020) "Structured arrangement", for the purposes of Chapter Nine "b" herein, shall be an arrangement involving a hybrid mismatch where the mismatch outcome is priced into the terms of the said arrangement or an arrangement that has been designed to produce a hybrid mismatch outcome. Any arrangement qualifying under sentence one shall not be treated as a structured arrangement if the taxable person or an associated enterprise could not have been expected to be aware of the hybrid mismatch and did not share in the value of the tax benefit resulting from the said hybrid mismatch.

101. (New, SG No. 96/2019, effective 1.01.2020) "Disregarded permanent establishment", for the purposes of Chapter Nine "b" herein, shall be any arrangement that gives rise to a permanent establishment in another jurisdiction according to the legislation of the Republic of Bulgaria and that does not give rise to a permanent establishment according to the legislation of that other jurisdiction.

102. (New, SG No. 96/2019, effective 1.01.2020) "Consolidated group for financial accounting purposes", for the purposes of Chapter Nine "b" herein, shall be a group consisting of all entities which are fully included in consolidated financial statements drawn up in accordance with the International Accounting Standards or the national financial reporting system of a Member State.

103. (New, SG No. 96/2019, effective 1.01.2020) "Payment", for the purposes of Chapter Nine "b" herein, shall be any expense or amount that is actually paid or in respect of which there is an obligation to be paid and that, according to the legislation of the legislation of the payer jurisdiction, is an expense recognised for tax purposes or an amount leading to a decrease of the tax financial result.

104. (New, SG No. 96/2019, effective 1.01.2020) "Transfer of assets/business", for the purposes of Articles 155 to 155d herein, shall be an operation whereby the Republic of Bulgaria wholly or partially loses the right to tax the result of a subsequent disposition of the said assets/the said business, whilst the same assets/the same business remains/remain under the legal or economic ownership of the same person.

105. (New, SG No. 96/2019, effective 1.01.2020) "Transfer of tax residence", for the purposes of Chapter Nine "b" herein, shall be a situation in which a person ceases to be resident for tax purposes in the Republic of Bulgaria whilst acquiring tax residence in another jurisdiction.

106. (New, SG No. 96/2019, effective 1.01.2020) "Transfer of a business carried on through a permanent establishment", for the purposes of Item 4 of Article 155 (1) herein, shall be a situation in which a non-resident legal person ceases to have taxable presence in the Republic of Bulgaria through a permanent establishment for the transferred business whilst acquiring taxable presence in another jurisdiction.

107. (New, SG No. 96/2019, effective 1.01.2020) "Cost of a service", for the purposes of Article 156 herein, shall be the cost of the service determined according to the applicable accounting standards by the division of the enterprise situated in the country.

108. (New, SG No. 96/2019, effective 1.01.2020) "Asset", for the purposes of Chapter Twenty herein, shall be a resource controlled by the taxable person.

109. (New, SG No. 96/2019, effective 1.01.2020) "Business", for the purposes of Items 104 and 106, shall be the totality of assets and liabilities of a taxable person whereby an economic activity that is independent from an organisational, functional and financial point of view can be carried out.

110. (New, SG No. 96/2019, effective 1.01.2020) "Physical-infrastructure elements" shall have the meaning given to this term by Article 64 of the Spatial Development Act.

111. (New, SG No. 96/2019, effective 1.01.2020) "Repair", for the purposes of Article 33a herein, shall be the activity of incurring subsequent expenses associated with physical-infrastructure elements which do not result in economic benefit greater than the benefit derived from the initially assessed standard effectiveness thereof.

112. (New, SG No. 96/2019, effective 1.01.2020) "Improvement", for the purposes of Articles 48 and

69a herein, shall be the activity of incurring subsequent expenses associated with physical-infrastructure elements which result in economic benefit greater than the benefit derived from the initially assessed standard effectiveness thereof.

113. (New, SG No. 96/2019, effective 1.01.2020) "Construction", for the purposes of Articles 48 and 69a herein, shall be an activity of creating new physical-infrastructure elements, which includes the investigation, design and construction of new physical-infrastructure elements or the redevelopment of existing physical-infrastructure elements.

§ 2. (Amended and supplemented, SG No. 94/2010, effective 1.01.2011, SG No. 40/2012, effective 1.07.2012, supplemented, SG No. 91/2013, effective 1.07.2013, SG No. 95/2015, effective 1.01.2016, amended and supplemented, SG No. 98/2018, effective 1.01.2019, SG No. 96/2019, effective 1.01.2020) This Act transposes the provisions of Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees, of Council Directive 2003/72/EC supplementing the Statute for a European Cooperative Society with regard to the involvement of employees with regard to the involvement of 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/EC of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries in different Member States (OJ L 345/8 of 29 December 2011), as well as of Council Directive 2013/13/EU 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/EC of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries in different Member States (OJ L 219/40 of 25 July 2014), Council Directive (EU) 2015/121 of 27 January 2015 amending Directive 2011/96/EC of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries in different Member States (OJ L 21/1 of 28 January 2015), 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), and Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries (OJ L 144/1 of 7 June 2017).

TRANSITIONAL AND FINAL PROVISIONS

§ 3. This Act shall supersede the Corporate Income Tax Act (promulgated in the State Gazette No. 115 of 1997; corrected in No. 19 of 1998; amended in 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. The adjustments of the financial result (accounting profit/loss) for tax purposes consequent to the application of Article 23 of the Corporate Income Tax Act as superseded until the 31st day of December 2006 shall be considered to be adjustments of the accounting financial result upon determination of the tax financial result according to the procedure and according to the relevant provision of this Act.

§ 5. The accounting income and expenses from subsequent valuations (revaluations and impairments) of depreciable assets, which are charged until the 31st day of December 2003 and which are not recognized for tax purposes until the 31st day of December 2006 according to the procedure established by Article 23 of the Corporate Income Tax Act as superseded, shall be recognized for tax

purposes in the year of write-off the relevant asset in the tax depreciation schedule, with the exception of the cases of shrinkage.

§ 6. (1) The depreciable assets available in the tax depreciation schedule as at the 31st day of December 2006, with the exception of such specified in Paragraph (2), shall be considered to be taxable depreciable assets within the meaning given by Article 48 herein.

(2) The following assets available in the tax depreciation schedule shall be written off therein as at the 1st day of January 2007:

1. the positive goodwill;

2. the assets which are not used in any activity in respect of which a tax financial result is formed;

3. the assets which are not classified as held for sale or are part of a group for exemption classified as held for sale;

4. the assets where the taxable person has been dissolved through liquidation or has been dissolved through adjudication in bankruptcy.

(3) (Amended, SG No. 110/2007, effective 1.01.2007) Article 66 herein shall not apply in the cases of write-off of any assets under Item 1 and 2 of Paragraph (2).

§ 7. (1) The tax depreciable value of any tax depreciable asset available as at the 1st day of January 2007 shall be the depreciable value of the said asset as at the 31st day of December 2006 under the Corporate Income Tax Act as superseded.

(2) The tax depreciation charged of any tax depreciable asset available as at the 1st day of January 2007 shall be the tax-recognized amount of the expenses on depreciations for the relevant asset as at the 31st day of December 2006 under the Corporate Income Tax Act as superseded.

(3) The tax value of any tax depreciable asset available as at the 1st day of January 2007 shall be the tax carrying value of the said asset as at the 31st day of December 2006 under the Corporate Income Tax Act as superseded.

§ 8. The values of the tax depreciable assets available in the tax depreciation schedule as at the 1st day of January 2007 shall remain unchanged compared to the said values as at the 31st day of December 2006.

§ 9. (1) The revaluation reserve in the tax depreciation schedule shall be written off therein as at the 1st day of January 2007. The said write-off shall follow the procedure and manner specified in § 10 or 11 herein. The taxable person shall opt for the application of § 10 or 11 herein.

(2) The "revaluation reserve," within the meaning given by Paragraph (1), shall be the revaluation reserve (the subsequent valuations reserve) which is included in the tax depreciation schedule as at the 31st day of December 2006.

(3) Where a revaluation reserve (subsequent valuations reserve) other than the one which should have been included according to Article 22 of the Corporate Income Tax Act as superseded is included in the tax depreciation schedule as at the 31st day of December 2006, the said reserve shall be adjusted for the purposes of Paragraph (1).

(4) Sole traders shall write off the revaluation reserve according to a procedure and in a manner applicable to the taxable persons under this Act.

§ 10. (1) The taxable persons shall adjust on a single occasion the values of the depreciable assets in

the tax depreciation schedule as at the 1st day of January 2007 as a result of the write-off of the revaluation reserve.

(2) The tax-recognized amount of the expenses on depreciations for a specific depreciable asset as at the 31st day of December 2006 shall be credited with the written off revaluation reserve for the relevant asset, as a result of which the tax depreciation of the said asset charged as at the 1st day of January 2007 shall be increased and the tax value of the asset as at the 1st day of January 2007 shall be decreased. After the increase, the tax depreciation charged for the relevant asset may not exceed the tax depreciable value of the asset as at the 1st day of January 2007.

(3) Where the revaluation reserve for a specific asset exceeds the tax carrying value of the said asset as at the 31st day of December 2006, the said asset shall be written off in the tax depreciation schedule as at the 1st day of January 2007, with the tax-recognized amount of the expenses on depreciations of other assets of the same category, determined within the meaning given by Article 22 of the Corporate Income Tax Act as superseded, being credited with the amount of the excess. Where the values of the assets of the said category are insufficient to fulfil the requirement of sentence one, the tax-recognized amount of the expenses on depreciations of assets of the other categories shall be increased.

(4) After the write-off of the revaluation reserve, the total amount of the tax values of all assets available in the tax depreciation schedule as at the 1st day of January 2007 must equal the total amount of the tax carrying values of all assets as at the 31st day of December 2006, debited with the revaluation reserve as written off.

(5) Paragraphs (1) to (4) shall not apply were the total amount of the revaluation reserve as written off exceeds the total amount of the tax carrying values of all assets available in the tax depreciation schedule as at the 31st day of December 2006. The taxable persons shall write off all assets available in the tax depreciation schedule as at the 31st day of December 2006 in the said schedule as at the 1st day of January 2007. The accounting financial result shall be credited with the difference between the total amount of the revaluation reserve and the total amount of the tax carrying values of all assets as at the 31st day of December 2006 upon determination of the tax financial result, inter alia upon determination of the quarterly prepayments according to the procedure established by § 11 herein.

§ 11. (1) Upon determination of the tax financial results, inter alia upon determination of the quarterly prepayments, the accounting financial result shall be credited with the revaluation reserve as written off as follows:

1. for 2007: with one-third of the revaluation reserve as written off;

2. for 2008: with one-third of the revaluation reserve as written off;

3. for 2009: with one-third of the revaluation reserve as written off.

(2) Upon dissolution of any taxable person, with the exception of the cases of dissolution upon transformation through change of the legal form under Article 264 of the Commerce Act, upon determination of the tax financial result for the year of dissolution the accounting financial result shall be credited with the portion of the revaluation result as written off whereby the accounting financial result has not been credited according to the procedure established by Paragraph (1).

(3) The taxable person may credit the accounting financial result thereof with the revaluation reserve as written off on a single occasion upon determination of the tax financial result thereof for 2007, inter alia upon determination of the quarterly prepayments. In this case Paragraphs (1) and (2) shall not apply.

§ 12. The provision of Item 6 of Article 55 (1) herein shall apply to any tax tangible fixed assets acquired after the 31st day of December 2006.

§ 13. For the purposes of Article 55 herein, the depreciable asset referred to in Item 55 (f) of § 1 of the Supplementary Provisions of the Corporate Income Tax Act as superseded shall be allocated to Category V.

§ 14. For the purposes of Article 55 herein, the depreciable asset, formed according to the Corporate Income Tax Act as superseded as a result of the tax-unrecognized portion of the excess of the sum total of the accounting depreciation quotas over the tax-recognized amount of the depreciations of the assets as a whole for the period commencing on the 1st day of January 1998 and ending on the 31st day of December 2002, shall be allocated to Category VII.

§ 15. (Amended, SG No. 110/2007, effective 1.01.2007) The provision of Article 59 herein shall not apply to any tax depreciable asset for which the charging of tax depreciations was discontinued at the 31st day of December 2006 according to the Corporate Income Tax Act as superseded by reason of withdrawal from use of the said asset. The charging of tax depreciations for the asset referred to in sentence one shall be resumed as from the beginning of the month of re-commissioning of the said asset.

§ 16. The provision of Article 63 herein shall apply to any subsequent expenses completed after the 31st day of December 2006.

§ 17. For the purposes of Article 66 (1) herein, where the residual value is not included in the depreciable value of the asset within the meaning given by the Corporate Income Tax Act as superseded, the accounting carrying value of the asset shall be debited with the residual value thereof upon determination of the tax financial result.

§ 18. Article 68 herein shall apply to any assets acquired after the 31st day of December 2005.

§ 19. Article 45 herein shall not apply in the cases where the financial result for tax purposes has been credited with the subsequent valuation reserve (revaluation reserve) according to the procedure established by Article 23 of the Corporate Income Tax Act as superseded.

§ 20. Any disregarded expenses on interest payments after the 1st day of January 2004 according to Article 26 of the Corporate Income Tax Act as superseded, subject to deduction and not deducted until the 31st day of December 2006, shall be deducted according to the procedure established by Article 43 herein until the lapse of five years since the year of disregarding the said expenses.

§ 21. The portion of the provisions for claims taxed for tax purposes (under the accounting legislation effective until the 31st day of December 2001) in the non-financial enterprises, whereby the financial result has not been debited according to the procedure established by Article 23 (3) of the Corporate Income Tax Act as superseded during succeeding years, shall be treated as unrecognized expense on subsequent valuation of a claim according to the procedure established by Article 34 of this Act.

§ 22. Any losses formed after the 1st day of January 2002 and subject to carry-forward, which have not been deducted until the 31st day of December 2006 according to the procedure established by Chapter Four of the Corporate Income Tax Act as superseded, shall be deducted according to the procedure established by Chapter Eleven herein.

§ 23. Article 95 herein shall not apply to any income and expenses originating as a result of any income and expenses, accounted for prior to the 1st day of January 2007, in respect of which there existed a difference between the amount as accounted for according to the accounting policies and the amount as determined by a regulatory authority according to a statutory instrument.

§ 24. The right to enjoy the reduction referred to in Article 60 (1) or the retention referred to in Articles 61d or 61e of the Corporate Income Tax Act as superseded in respect of the corporation tax due for

2006 shall furthermore vest in any taxable person which has not submitted a notification to the competent National Revenue Agency territorial directorate according to Article 51a of the Corporate Income Tax Act as superseded, subject to the condition that the said person fulfil all requirements provided for in the Act for the relevant corporation tax reduction or retention.

§ 25. Corporation tax retention shall be allowed according to the procedure established by Article 187 herein until the 31st day of December 2010.

§ 26. (Repealed, SG No. 110/2007, effective 1.01.2007).

§ 27. The annual taxable profit (loss), the annual corporation tax due, all alternative taxes, the taxes on expenses and the withholding taxes for 2006, which are declarable according to the procedure established by the Corporate Income Tax Act as superseded, shall be declared by submitting the relevant tax returns and within the time limits under the said Act.

§ 28. (1) The taxes due for 2006 under the Corporate Income Tax Act as superseded shall be remitted within the time limits and according to the procedure established by the said Act.

(2) The right referred to in Article 92 (5) herein shall be enjoyable by the taxable persons even upon declaring the corporation tax for 2006.

§ 29. The standard forms of annual tax returns for 2006 under the Corporate Income Tax Act as superseded shall be endorsed not later than the 10th day of January 2007 by an order of the Minister of Finance, which shall be promulgated in the State Gazette.

§ 30. (Amended, SG No. 110/2007, effective 1.01.2007) Any provisions, which are included in the historical cost of a tax depreciable asset but are not included in the depreciable value of the said asset according to the Corporate Income Tax Act as superseded, shall be considered as provisions which are not included in the tax depreciable value of the asset according to Article 53 (1) herein.

§ 31. (Repealed, SG No. 110/2007, new, SG No. 69/2008, effective 1.01.2009) Any collateral security provided as per the procedure of the repealed Article 109 shall be released.

§ 32. The Tax and Social-Insurance Procedure Code (promulgated in the State Gazette No. 105 of 2005; amended in Nos. 30, 33, 34, 59, 63, 73 and 82 of 2006) shall be amended and supplemented as follows:

1. In Article 141:

(a) in Paragraph (1), the words "thirty days" shall be replaced by "sixty days";

(b) in Paragraph (2):

(aa) in sentence one at the end, there shall be added "and has not eliminated the deficiencies within fifteen days after the date of request by the revenue authority";

(bb) in sentence two, the words "there are no" shall be replaced by "there are";

(c) in Paragraph (3), after the words "application of the CADT" there shall be inserted "or failure to rule within the period under Paragraph (1)";

(d) Paragraphs (4) and (5) shall be amended to read as follows:

"(4) Any opinion on lack of grounds for application of the CADT shall be appealable by the recipient of the income or by the payer, if authorized to do so by the recipient of the income. Any such appeal shall follow the procedure for appeal of audit acts, and the appeal shall be lodged care of the territorial

directorate whereto the request has been submitted.

(5) If there is an opinion on application of the CADT under Paragraph (1) or (2), the tax liabilities for the relevant income may be revised solely if there are grounds under Article 133 (2)."

2. In Article 142 (1) and (2), the figure "25,000" shall be replaced by "50,000".

§ 33. This Act shall enter into force on the 1st day of January 2007.

This Act was adopted by the 40th National Assembly on the 14th day of December 2006 and the Official Seal of the National Assembly has been affixed thereto.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 110/2007, effective 1.01.2008)

§ 56. (Effective 1.01.2007 - SG No. 110/2007) Any overremitted corporation tax, profits tax and municipal tax under the Corporate Income Tax as superseded (promulgated in the State Gazette No. 115/1997; corrected in No. 19/1998; amended in Nos. 21 and 153/1998, Nos. 12, 50, 51, 64, 81, 103, 110 and 111/1999, Nos. 105 and 108/2000, Nos. 34 and 110/2001, Nos. 45, 61, 62 and 119/2002, Nos. 42 and 109/2003, Nos. 18, 53 and 107/2004, Nos. 39, 88, 91, 102, 103 and 105/2005, Nos. 30, 34, 59 and 63/2006; superseded, No. 105/2006), which is not deducted, refunded or set off at the 31st day of December 2006, may be deducted according to the procedure established by Article 94 of the effective Corporate Income Tax Act.

§ 57. (Effective 1.01.2007 - SG No. 110/2007) Any taxable person, which has retained tax under Article 58 of the Profits Tax Act as repealed (promulgated in the State Gazette No. 59/1996 sic, must be 1996 - Translator's Note; amended in No. 110/1996, Nos. 16, 49, 86 and 89/1997; repealed, SG No. 115/1997) or under Article 20 as repealed of the Investment Promotion Act, which adopts the application of International Accounting Standards, shall not apply Chapter Thirteen to the change in accounting policies in respect of the accounting for the tax retained. Upon determination of the tax financial result for the year of transition to International Accounting Standards and for the succeeding years, the financial result shall be credited with the part of the financing accounted for in connection with the tax retained which is not recognized as income before transition to International Accounting Standards, the amount of the increase being allocated by year as applicable in proportion to the expenses accounted for during the said years in connection with fulfilment of the conditions for retention of the tax. Where the tax retained is invested in depreciable assets, the increase referred to in sentence two shall be allocated by year on the basis of the accounting expenses on depreciation accounted for the said assets during the years as applicable.

§ 58. (Effective 1.01.2007 - SG No. 110/2007) The tax reliefs according to the procedure established by Section IV of Chapter Twenty-Two, with the exception of Article 187 of the Corporate Income Tax Act, shall be enjoyable until the 31st day of December 2013. The tax relief referred to in Article 184 of the Corporate Income Tax Act, constituting regional aid, shall be enjoyable where implementation of the relevant initial investment commenced after the 31st day of December 2006 but before the 1st day of January 2014.

§ 59. (Effective 1.01.2007 - SG No. 110/2007) The tax relief referred to in Article 184 of the Corporate Income Tax Act, of which the Minister of Finance has notified the European Commission according

to the procedure established by Article 8 of the State Aids Act, constituting regional aid, shall become effective after adoption of a positive decision by the European Commission regarding the accordance of the said relief with the Guidelines on national regional aid for 2007 to 2013 of the European Commission. Provided that the European Commission adopts a positive decision until the 31st day of March 2008, the tax relief may be applied for 2007 as well. After the adoption of a positive decision by the European Commission, the Minister of Finance need not prepare individual notifications on the taxable persons applying Article 184 of the Corporate Income Tax Act, with the exception of such implementing large investment projects under Article 189 of the Corporate Income Tax Act.

§ 60. The tax depreciable assets at the 31st day of December 2007, which are written off for accounting purposes but are not written off in the tax depreciation schedule in pursuance of Item 2 of Article 22 (12) of the Corporate Income Tax Act as superseded because a flow of economic benefit is not expected therefrom or in pursuance of item 1 of Article 60 (3), shall be written off in the tax depreciation schedule at the 1st day of January 2008. The provision of Article 66 (2) of the effective Corporate Income Tax Act shall apply, inter alia upon determination of the quarterly tax prepayments for 2008. Sentences one and two shall not apply to any assets which are written off for accounting purposes because they are completely depreciated.

§ 61. The provision of Article 140 (7) of the Corporate Income Tax Act shall not apply to any transformation whereof the date of recordation in the Commercial Register precedes the 1st day of January 2008.

§ 62. Any accounting income and expenses, profits and losses, accounted for by a partner in a jointly controlled entity as a result of application of the proportionate consolidation method, shall not be recognized for tax purposes where the jointly controlled entity is a taxable person.

§ 63. (1) Upon determination of the tax financial result of any financial institutions, the accounting financial result thereof shall be debited with the dividends distributed by resident legal persons during the current year, where the investment is accounted for according to the equity method.

(2) Upon determination of the tax financial result of any taxable persons other than financial institutions, the accounting financial result thereof shall be debited with the dividends distributed by resident legal persons for the period commencing with the acquisition and ending with the write-off of the investment, where the investment is accounted for according to the equity method. The debiting under sentence one shall be effected in the year of write-off of the investment.

(3) Paragraphs (1) and (2) shall not apply to:

1. any dividends distributed from profits which are realized prior to the acquisition of the investment by the taxable person, or

2. any dividends distributed by licensed special-purpose investment companies under the Special-Purpose Investment Companies Act.

§ 64. (1) Upon determination of the financial result of any resident parent company which is a financial institution, the accounting financial result thereof shall be debited with the dividends distributed by a subsidiary thereof of a Member State during the current year, where the investment in the subsidiary is accounted for according to the equity method.

(2) Upon determination of the tax financial result of a resident parent company other than a financial institution, the accounting financial result thereof shall be debited with the dividends distributed by a subsidiary thereof of a Member State for the period commencing with the acquisition and ending with the write-off of the investment in the subsidiary, where the investment is accounted for according to the equity method. The debiting under sentence one shall be effected in the year of write-off of the

investment.

(3) Paragraphs (1) and (2) shall be furthermore applied by a permanent establishment in the country upon distribution of dividends by a non-resident person, where the conditions under Items 1 to 3 of Article 105 (2) of the Corporate Income Tax Act are fulfilled.

(4) Where dividends have been distributed according to the procedure established by Paragraphs (1) or (3) within two years after the time of acquisition of at least 15 per cent of the capital of the company distributing the dividends, the taxable person shall have the right to debit the financial result thereof according to the procedure established by Paragraph (1). In case the taxable person ceases to hold at least 15 per cent of the capital of the company prior to the lapse of the two years, the tax financial result and the corporation tax due for the year in which Paragraph (1) is applied, shall be adjusted in a way as if Paragraph (1) was not applied. Default interest according to the standard procedure shall be due for the period commencing on the date on which the corporation tax had to be remitted and ending on the date of remittance of the said tax.

(5) Paragraphs (1) to (4) shall not apply to any dividends distributed from profits which are realized prior to the acquisition of the investment by the taxable person.

§ 65. § 62, 63 and 64 of this Act shall apply upon determination of the tax financial result for 2007.

§ 66. § 16 and 17 of this Act shall apply to any assets acquired after the 31st day of December 2007.

.....

§ 68. This Act shall enter into force on the 1st day of January 2008, with the exception of § 7, 21, 24, 38 to 45, 49, 50, Items 3 to 7 of § 54, Items 1 to 4 of § 55 and § 56 to 59 herein, which shall enter into force on the 1st day of January 2007.

FINAL PROVISIONS

to the Act to Amend and Supplement the Accountancy Act

(SG No. 69/2008, effective 5.09.2008)

.....

§ 7. This Act shall enter into force as from the 5th day of September 2008, with the exception of § 3 herein, which shall enter into force as from the day of promulgation thereof in the State Gazette, and of § 6 herein, which shall enter into force as from the 1st day of January 2009.

ACT to Amend and Supplement the Corporate Income Tax Act

(SG No. 106/2008, effective 1.01.2009)

.....

Supplementary Provision

§ 16. Throughout the 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 of the European Union".

Transitional and Final Provisions

§ 17. Debiting under Article 177 of the Corporate Income Tax Act shall not be performed in 2009,

where tax relief under Article 192 as hereby repealed has been enjoyed in respect of the persons hired.

§ 18. Article 189a of the Corporate Income Tax Act shall apply to profits realized from investments in assets acquired after the 1st day of January 2009.

§ 19. This Act shall enter into force as from the 1st day of January 2009, with the exception of Item 2 of § 12 herein in respect of Items 3 and 4 of Article 209 (3) of the Corporate Income Tax Act, which shall enter into force as from the 1st day of January 2010.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 95/2009, effective 1.01.2010, amended, SG No. 100/2013,

effective 19.11.2013, SG No. 58/2017, effective 18.07.2017)

§ 39. § 13, 28, 35 and 36 of this Act shall furthermore apply in respect of the annual activity report for 2009. Annual financial statements for 2009 and auditor's reports thereto shall not be submitted to the National Revenue Agency.

§ 40. The reduction of corporation tax under Article 186 of the Corporate Income Tax Act as hereby repealed shall be cumulated with other State aid approved by decision of the European Commission or authorized under Article 9 of the State Aids Act in respect of the fixed tangible and intangible assets acquired, up to the maximum permissible intensity of the aid determined by the national Regional State aid map.

§ 41. The tax relief referred to in Article 189b of the Corporate Income Tax Act shall apply after the European Commission adopts a positive decision on compatibility with the State aids rules. Provided that the European Commission adopts a positive decision until the 31st day of March 2011, the tax relief may apply for 2010 as well. Retention of corporation tax prepayments of agricultural producers shall be inadmissible until the date of the positive decision of the European Commission.

§ 42. (Amended, SG No. 58/2017, effective 18.07.2017) The administrator of the State aid referred to in Article 189b of the Corporate Income Tax Act shall be the Minister of Agriculture, Food and Forestry. The Minister of Agriculture, Food and Forestry shall notify the European Commission according to the procedures established in the State Aids Act.

§ 43. (Amended, SG No. 100/2013, effective 19.11.2013) The tax relief according to the procedure established by Article 189b [of the Corporate Income Tax Act] shall be enjoyable until the 31st day of December 2013, including for the corporation tax for 2013.

.....

§ 51. This Act shall enter into force as from the 1st day of January 2010, with the exception of § 10, 11 and 14 herein, which shall enter into force as from the 1st day of January 2009.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 94/2010, effective 1.01.2011)

§ 25. Reservation of the right to tax retention according to Article 185 (1) and (2) [of the Corporate Income Tax Act] shall apply until the 31st day of December 2013.

§ 26. (1) The cooperatives and the enterprises formed thereby shall transfer 50 per cent of the corporate tax for 2010 retained thereby under Article 187 [of the Corporate Income Tax Act] as repealed to the investment funds of the cooperative unions not later than the 31st day of March 2011.

(2) Not later than the 30th day of June 2011, the cooperative unions shall account to the Ministry of Finance for the raising and spending for the assigned purpose of the corporation tax for 2010 retained thereby under Article 187 [of the Corporate Income Tax Act] as repealed. Should it be established that the conditions for retention have not been fulfilled, the tax retained which has accrued to the cooperative unions shall be refunded thereby to the executive budget with the interest due.

(3) Any person, which fails to fulfil the obligation thereof referred to in Paragraph (2), shall be liable to a pecuniary penalty of BGN 1,000 or exceeding this amount but not exceeding BGN 3,000.

§ 27. Item 2 of § 22 herein shall furthermore apply upon assessment of the taxes under this Act for 2010.

.....

§ 30. Item 3 of § 29 herein shall furthermore apply in respect of the annual financial statements for 2010.

§ 31. This Act shall enter into force as from the 1st day of January 2011 with the exception of Item 2 of § 22 herein, which shall enter into force as from the day of promulgation of this Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Income Taxes on Natural Persons Act

(SG No. 31/2011, effective 1.01.2011)

§ 15. The incomes accruing from the business of the natural persons registered as tobacco producers and agricultural producers, including such carrying out activity in a sole-trader capacity, of production of unprocessed plant and animal produce, with the exception of the incomes accruing from growing of ornamental plants, paid in 2010 in the form of State aids, subsidies and other support from the European Agricultural Guarantee Fund, the European [Agricultural] Fund for Rural Development and the State budget, shall be excluded from the taxable income under Article 29 and Article 26 [of the Income Taxes on Natural Persons Act] and shall not be subject to levy of a tax where the said incomes are for 2009 or for preceding years. The said incomes shall be declared in the annual tax return under Article 50 [of the Income Taxes on Natural Persons Act] for 2010, being stated with Code 10 in Schedule 3 and 3a, Part 1, Table 1.

.....

§ 17. (1) The registered tobacco producers and agricultural producers, regardless of the registration thereof under the Value Added Tax Act, may opt that the taxable income thereof for 2010 be determined under Article 26 [of the Income Taxes on Natural Persons Act] and be taxed on the annual taxable amount under Article 28 [of the Income Taxes on Natural Persons Act].

(2) The option referred to in Paragraph (1) shall be declared in the annual tax return under Article 50 [of the Income Taxes on Natural Persons Act] for 2010, and if such a return has been submitted prior to the promulgation of this Act in the State Gazette, the said option shall be declared by submitting a new declaration not later than the 30th day of April 2011.

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TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Value Added Tax Act

(SG No. 94/2012, effective 1.01.2013)

§ 42. The right of submitting a registration inventory in a standard form of the available assets at the date of registration, which has arisen but has not been exercised at the date of entry into force of this Act, and the time limits under Article 103 (2) or Article 132 (4) [of the Value Added Tax] for exercise thereof have not expired, may be exercised within 45 days from the date of registration under this Act.

§ 43. (1) Upon supplies under concession contracts for construction, for service or for extraction/mining whereunder the payment is stipulated, partly or wholly, to be in goods or services for which the concession grantors or concessionaires have failed to issue invoices and the tax has become exigible in the period 1 January 2011 - 31 December 2012, the concession grantors or concessionaires shall charge the tax within 6 months from entry into force of this Act.

(2) The right to deduct credit for input tax under Paragraph (1) may be exercised for the tax period during which the invoice has been issued or in one of the following 12 tax periods.

(3) Paragraph (1) shall furthermore apply to administrative and court proceedings which have not been closed at the date of entry into force of this Act.

(4) The registered persons against which there is an effective individual administrative act on the basis of which the tax on supplies under Paragraph (1) has been charged may issue invoices on such supplies and for the amount of the tax charged by the said act, on the basis of which the recipient may exercise the right to deduct credit for input tax. The right to deduct credit for input tax shall be exercised within the time limit under Paragraph (2).

(5) The concession grantors under concession contracts for construction, for service or for extraction/mining whereunder the payment (wholly or partly) is stipulated in goods or in services, may exercise their right to deduct credit for input tax within six months from entry into force of this Act for the supplies of goods and/or services received in the period 1 January 2011 - 31 December 2012, which are used or will be used for supplies under Paragraph (1) and in respect whereof the right to deduct credit for input tax has not been exercised until the entry into force of this Act.

.....

§ 53. The Corporate Income Tax Act (promulgated, SG No. 105/2006, amended, Nos. 52, 108 and 110/2007, Nos. 69 and 106/2008, Nos. 32, 35 and 95/2009, No. 94/2010, Nos. 19, 31, 35, 51, 77 and 99/2011 and No. 40/2012) shall be amended and supplemented as follows:

.....

§ 54. The persons which have remitted a withholding tax under Articles 194 and 195 of the Corporate Income Tax Act in the fourth quarter of 2012 and the persons which have charged income under Article 12 (3) and Item 2 of Paragraph (8) of the Corporate Income Tax Act in the fourth quarter of 2012 shall submit a declaration in a standard form according to the procedure effective at the 31st day of December 2012 and provided for in Chapter Twenty-Six of the Corporate Income Tax Act.

§ 55. The taxes due after the 1st day of January 2013, including the taxes due but unremitted at the 31st day of December 2012, shall be declared according to the procedure established by Chapter Twenty-Six of the Corporate Income Tax Act. For taxes due but unremitted at the 31st day of December 2012, the time limit for submission of the declaration under Article 201 (1) of the Corporate Income Tax Act shall be the 31st day of July 2013.

§ 56. The corporation tax prepayments for 2013, determined according to the procedure established by Articles 86 and 87 [of the Corporate Income Tax Act], shall be declared by the annual tax return for 2012 under Article 92 of the Corporate Income Tax Act.

TRANSITIONAL AND FINAL PROVISIONS to the Public Finance Act

(SG No. 15/2013, effective 1.01.2014)

.....

§ 123. This Act shall enter into force on 1 January 2014 with the exception of § 115, which came into force on 1 January 2013, and § 18, § 114, § 120, § 121 and § 122, which came into force on February 1, 2013.

FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 68/2013, effective 1.01.2014, amended, SG No. 100/2013, effective 1.01.2014)

§ 4. (Repealed, SG No. 100/2013, effective 1.01.2014).

§ 5. This Act shall enter into force as from the 1st day of January 2014.

FINAL PROVISIONS

to the Act to Supplement the Corporate Income Tax Act

(SG No. 91/2013, effective 1.07.2013)

.....

§ 7. This Act shall enter into force as from the date of entry into force of the Treaty concerning the Accession of the Republic of Croatia to the European Union.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 100/2013, effective 1.01.2014, amended, SG No. 105/2014,

effective 1.01.2015, SG No. 22/2015, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016)

.....

§ 14. (Amended, SG No. 105/2014, effective 1.01.2014, SG No. 95/2015, effective 1.01.2016) After the 31st day December 2013, the tax reliefs according to the procedure established by Section IV of Chapter Twenty-Two [of the Corporate Income Tax Act] shall be enjoyable until the 31st day of December 2020. The tax relief referred to in Article 184 [of the Corporate Income Tax Act], constituting regional aid, shall apply to initial investment projects started after the entry unto effect of the State aid scheme and after the submission of an application form for aid but before the 1st day of January 2021.

§ 15. (Amended, SG No. 95/2015, effective 1.01.2016) The tax relief under Article 184 [of the Corporate Income Tax Act] of which the Minister of Finance has notified the European Commission according to the procedure established by Article 8 of the State Aids Act, constituting regional aid, shall enter into effect after the European Commission adopts a positive decision regarding the

compatibility of the said relief with the Guidelines on regional State aid for 2014 - 2020. The corporation tax for 2015 shall be retained in case an application form is submitted during the period from the 1st day of January 2016 until the 29th day of February 2016, an approval by the Invest Bulgaria Agency is obtained until the 31st day of March 2015, and all other conditions of this Act for applying the tax relief constituting regional aid are fulfilled, applying the list of municipalities with a rate of unemployment by 25 per cent or more higher than the national average for 2014. Retention of tax prepayments for 2015 shall be inadmissible. After the adoption of a positive decision by the European Commission, the Minister of Finance need not prepare individual notifications on the taxable persons applying Article 184 [of the Corporate Income Tax Act], with the exception of such implementing large investment projects under Article 189 [of the Corporate Income Tax Act].

§ 16. (Amended, SG No. 95/2015, effective 1.01.2016) The right to tax retention according to Article 184 in conjunction with Article 189 [of the Corporate Income Tax Act] shall apply until the 31st day of December 2020, including for the corporation tax for 2020.

§ 17. (Amended, SG No. 105/2014, effective 1.01.2015, SG No. 22/2015, effective 1.01.2014) (1) The tax relief referred to in Article 189b herein shall be applied after a notice of receipt with the final identification number of the aid is received from the European Commission according to Commission Regulation (EU) No. 1 of 702/2014 June 2014 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 2014 and 107 of the Treaty on the Functioning of the European Union. Provided that the notice of receipt from the European Commission is received until the 31st day of March 2015, the tax relief may be applied for 2014. Retention of corporation tax prepayments for farmers shall be inadmissible until the date when the notice of receipt with the final identification number of the aid is received from the European Commission.

(2) The tax relief referred to in Article 189b herein shall constitute a fiscal successor scheme within the meaning given by the Regulation referred to in Paragraph (1) because the activity is already covered by the previously existing scheme in the form of tax relief, which is why it shall be admissible that investing in assets under Article 189b herein commenced even before the notice of receipt with the identification number of the aid was received from the European Commission, but not after the 31st day of December 2013.

§ 18. This Act shall enter into force as from the 1st day of January 2014, with the exception of § 12 herein, which shall enter into force as from the day of promulgation of the Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Gambling Act

(SG No. 1/2014, effective 1.01.2014)

.....

§ 29. The tax on any unused tokens certifying participation in games of chance, paid until the 31st day of December 2013, shall be refunded to the person according to the procedure established by Article 233 of the Corporate Income Tax Act as hereby repealed if any of the following circumstances occurs after the said date:

1. completion of a stage (drawing) of the lottery games, or

2. termination of the licence of the organizer in pursuance of Item 4 of Article 35 (1) of the Gambling Act.

.....

§ 34. This Act shall enter into force on the 1st day of January 2014.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Value Added Tax Act

(SG No. 105/2014, effective 1.01.2015)

.....

§ 39. The Corporate Income Tax Act (promulgated in the State Gazette No. 105 of 2006, amended in Nos. 52, 108 and 110 of 2007, Nos. 69 and 106 of 2008, Nos. 32, 35 and 95 of 2009, No. 94 of 2010, Nos. 19, 31, 35, 51, 77 and 99 of 2011 and No. 40 and 94 of 2012, Nos. 15, 16, 23, 68, 91, 100 and 109 of 2013 and No. 1 of 2014) shall be amended and supplemented as follows:

.....

22. In the Act, the words "the executive" shall be replaced passim by "the State".

.....

§ 40. Any taxable persons, which do not conform to the conditions for application of Article 184 in conjunction with Article 188 of the Corporate Income Tax Act and which in 2014 applied Article 91 in conjunction with the hitherto effective Article 188 of the Corporate Income Tax Act, shall not owe interest for the prepayments retained in 2014 according to the procedure established by Articles 9 and 89 of the Corporate Income Tax Act.

§ 41. Subject to the condition that the European Commission has adopted a positive decision on the tax relief constituting State aid by the 31st day of March 2015, the application form for aid under Article 189 of the Corporate Income Tax Act shall be submitted together with the annual tax return for 2014, in case the implementation of the relevant initial investment has commenced after the 31st day of December 2013 but before the adoption of the positive decision.

.....

§ 46. This Act shall enter into force as from the 1st day of January 2015 with the exception of.

1. § 17 herein in respect of Article 154 (2) and Article 156 (2) [of the Corporate Income Tax Act], which shall enter into force as from the day of promulgation of the Act in the State Gazette;

2. Item 7 (b), Item 9 to 13 and Item 19 (a), (b), (c), (d), (e) and (f) of § 39 herein in respect of Items 71 to 74, and Item 23 (a) of § 39 and Items 11 and 17 of § 42 herein, which shall enter into force as from the 1st day of January 2014;

3. Item 7 of § 34 herein, which shall enter into force as from the 1st day of January 2016, Item 21 (a) of § 34 (in respect of Item 9 of Article 84 (6), which shall enter into force as from the 1st day of July 2015, and Item 2 (c), Items 30, 31, 32, 35 and 39 of § 34 and § 35 herein, which shall enter into force after the adoption of a positive decision by the European Commission on a notification procedure undertaken by the Ministry of Finance according to the procedure established by Directive 98/34/EC of the European Parliament and of the Council of 22 June 1998 laying down a procedure for the provision of information in the field of technical standards and regulations and of rules on Information Society services.

ACT to Amend and Supplement the Corporate Income Tax Act

(SG No. 75/2016, effective 1.01.2016)

.....

§ 12. In the remaining texts of the Act, "(1)" shall be inserted after the words "Article 204".

Transitional and Final Provisions

§ 13. (1) The taxable persons shall declare the choice thereof under Article 24 (3) of the Income Taxes on Natural Persons Act for 2016 in the annual tax return for 2016.

(2) Any taxable person, which until the date of promulgation of this Act applied the procedure for taxation of the expenses in kind as non-cash income of natural persons according to the procedure established by the Income Taxes on Natural Persons Act, may elect, by so declaring by the annual tax return submitted for 2016:

1. to continue to apply the said procedure until the end of 2016, or

2. (effective 1.10.2016 - SG No. 75/2016) to apply Item 4 of Article 204 (1) [of the Corporate Income Tax Act] until the end of 2016.

§ 14. The data referred to in Article 239 (3) and Article 246 (3) [of the Corporate Income Tax Act] shall be declared in the first return for 2017.

§ 15. (1) Documentary support of the expenses associated with operation of means of transport, where used to service management operations, incurred from the 1st day of January 2016 until the date of promulgation of this Act in the State Gazette, shall be available even when the said expenses are documented only by a fiscal cash receipt printed by a fiscal device or by a cash receipt from an integrated automated commercial activity management system (system receipt), as well as if a transportation control and movement document has not been issued.

(2) Upon determination of the taxable amount for the tax referred to in Item 4 of Article 204 (1) [of the Corporate Income Tax Act] for 2016 in respect of the expenses in kind associated with means of transport, the said expenses shall be charged to the personal use by multiplying the total amount of all expenses associated with the means of transport by 50 per cent, where until the promulgation of this Act in the State Gazette the means of transport was used to service management operations as well and the expenses incurred on the said activity are documented only by a fiscal cash receipt printed by a fiscal device or by a cash receipt from an integrated automated commercial activity management system (system receipt) and/or a transportation control and movement document has not been issued.

.....

§ 19. This Act shall enter into force as from the 1st day of January 2016 with the exception of:

1. Item 2 of § 13 (2) herein, which shall enter into force as from the 1st day of the month next succeeding the date of promulgation of the said Act in the State Gazette;

2. § 2, 8, 9, 10, 17 and 18 herein, which shall enter into force as from the date of promulgation of the said Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Excise Duties and Tax Warehouses Act

(SG No. 97/2016, effective 1.01.2017)

.....

§ 47. The Corporate Income Tax Act (promulgated in the State Gazette No. 105 of 2006, amended in Nos. 52, 108 and 110 of 2007, Nos. 69 and 106 of 2008, Nos. 32, 35 and 95 of 2009, No. 94 of 2010, Nos. 19, 31, 35, 51, 77 and 99 of 2011, Nos. 40 and 94 of 2012, Nos. 15, 16, 23, 68, 91, 100 and 109 of 2013, No. 1, 105 and 107 of 2014, Nos. 12, 22, 35, 79 and 95 of 2015 and Nos. 32, 74 and 75 of 2016) shall be amended and supplemented as follows:

.....

7. In the Act, the words "the National Financial Reporting Standards for Small and Medium-Sized Enterprises" shall be replaced passim by "the National Accounting Standards".

.....

§ 48. (Effective 1.01.2018 - SG No. 97/2016) Any returns in a standard form under the Corporate Income Tax Act, for which the obligation to submit arises after the 31st day of December 2017, shall be submitted by electronic means.

§ 49. (Effective 1.01.2018 - SG No. 97/2016) The taxable persons under the Corporate Income Tax Act shall not enjoy a rate rebate on the annual corporation tax due according to the procedure established by Article 92 (5) of the Act, as hereby repealed, for the annual tax return for 2017.

§ 50. Upon detection during 2017 of any accounting or other errors and upon disclosure of adjusting events within the meaning given by the applicable accounting standards, related to 2016, the taxable persons may, on a single occasion, not later than the 30th day of September 2017, correct the tax financial result and the tax liability by means of submission of a new return for 2016.

.....

§ 61. This Act shall enter into force as from the 1st day of January 2017, with the exception of Item 1 and Item 5 (b) of § 47, § 48 and § 49 herein, which shall enter into force as from the 1st day of January 2018.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Tax And Social Insurance Procedure Code

(SG No. 92/2017, effective 1.01.2018)

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§ 27. The provision of Article 92, Paragraph (4) of the Corporate Income Tax Act shall apply for the annual tax return and the annual activity report for 2017.

.....

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement Corporate Income Tax Act

(SG No. 98/2018, effective 1.01.2019)

§ 28. The unrecognised expenses on interest payments after the 1st day of January 2014 according to Article 43 [of the Corporate Income Tax Act], which are deductible and which were not deducted until the 31st day of December 2018, shall be deducted according to the procedure established by Article 43 (3) where Article 43a is not applied and according to the procedure established by Article 43 (3) in the cases where Article 43a [of the Corporate Income Tax Act] is applied for the relevant year.

§ 29. Article 82 [of the Corporate Income Tax Act] shall not apply upon a change in accounting policies as a result of the application of International Financial Reporting Standard 16 Leases. Any accounting income and expenses originating upon the change in accounting policies as a result of the initial application of International Financial Reporting Standard 16 Leases shall not be recognised for tax purposes.

§ 30. Where the time limits for declaring and remitting a tax under the provisions of Chapter Twenty-One [of the Corporate Income Tax Act] repealed and amended by this Act expire after the 31st day of December 2018, the provisions of this Act shall apply.

§ 31. The provisions of this Act shall apply where the date of expungement/dissolution of the taxable person in the cases referred to in Item 2 of § 15 herein in respect of Article 207 (7) [of the Corporate Income Tax Act], § 16 herein in respect of Article 202 (6) [of the Corporate Income Tax Act], § 18 herein in respect of Article 217 [of the Corporate Income Tax Act] and § 19 herein in respect of Article 218a [of the Corporate Income Tax Act] is before the 1st day of January 2019 but the time limits for declaring and remitting the tax according to this Act expire after the 31st day of December 2018.

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TRANSITIONAL AND FINAL PROVISIONS

to the Social Services Act

(SG No. 24/2019, effective 1.07.2020 - amended, SG No. 101/2019)

.....

§ 41. (1) The provisions of the Health Act, the Health Insurance Act, the Employment Promotion Act, the Legal Aid Act, the Local Taxes and Fees Act, the Veterinary Practices Act, the Bulgarian Personal Documents Act, the Civil Registration Act and the Environmental Protection Act that are applicable to social and integrated health and social services for residential care, to the heads of such services and to the persons who use such services shall apply mutatis mutandis to the homes for children deprived of parental care, their heads and the persons placed in them until said homes are closed down.

(2) The provisions of the Health Act, the Health Insurance Act, the Legal Aid Act, the Employment Promotion Act, the Veterinary Practices Act, the Environmental Protection Act, the War Invalids and Victims Act, the Persons with Disabilities Act and the Local Taxes and Fees act that are applicable to the social and integrated health and social services for residential care and to the persons who use such services shall apply mutatis mutandis to the homes for adults with mental retardation, homes for adults with mental disorders, homes for adults with physical disabilities, homes for adults with sensory disorders and homes for adults with dementia and to the persons placed in them until said homes are closed down.

(3) Until the homes for medical and social care for children are closed down, Article 124(2) of the

Health Act shall apply to the children placed in said homes.

(4) Until the homes for children deprived of parental care and the homes for medical and social care for children are closed down, Article 8e(6) of the Family Allowances for Children Act, Article 22c(2)(3) and Article 22d(2)(3) of the Income Taxes on Natural Persons Act shall apply when children are placed in said homes.

(5) The provisions of the Income Taxes on Natural Persons Act and the Corporate Income Tax Act that are applicable to donations to the benefit of social and integrated health and social services for residential cate shall apply mutatis mutandis to the donations to homes for children deprived of parental care, homes for adults with mental retardation, homes for adults with mental disorders, homes for adults with physical disabilities, homes for adults with sensory disorders and homes for adults with dementia until said homes are closed down.

.....

§ 45. (Amended, SG No. 101/2019) This Act shall enter into force on 1 July 2020 with the exception of:

1. paragraph 6, subparagraph 5(a), paragraph 7, subparagraph 2(a) and (b), subparagraph 3, subparagraph 6(a), subparagraph 9 and subparagraph 10, paragraph 18(2) in the part concerning the "homes for medical and social care for children in accordance with the Medical Treatment Facilities Act" and paragraph 20, subparagraph 2 in the part concerning the deleting of the test "and the homes for medical and social care for children" and subparagraph 5(c), which shall enter into force on 1 January 2021;

2. paragraph 3(4)(f), (g) and (h) and paragraph 28, subparagraph 1(a) and subparagraphs 2 and 5, which shall enter into force on 1 January 2019;

3. Article 22(4), Article 40, Article 109(1), Article 124, Article 161(2), paragraphs 3(6), 30, 36, 37 and 43, which shall enter into force as from the day of promulgation of this Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Corporate Income Tax Act

(SG No. 96/2019, effective 1.01.2020)

§ 22. (1) Where the accounting expenses on the construction, improvement or repair of physical-infrastructure elements which, by virtue of a law, constitute public State property or public municipal property, are treated, in whole or in part, for tax purposes as non-business expenses or as disregarded donation expenses, the amount of the disregarded portion of the said expenses may be posted as a separate tax depreciable asset for the purposes of this Act, provided that the following conditions are simultaneously fulfilled:

1. the expenses were charged/accounted for during the period from the 1st day of January 2015 to the 31st day of December 2019, and

2. the construction or improvement of the physical-infrastructure elements is related to the activity of the taxable person, including in the cases where the said elements are accessible for use by other entities as well.

(2) The tax depreciable asset referred to in Paragraph (1) shall be posted to the depreciation schedule at the 1st day of January 2020.

(3) For the purposes of Article 55 [of the Corporate Income Tax Act], the depreciable asset shall be allocated to Category I, and Article 69a (3) to (5) [of the Corporate Income Tax Act] shall apply accordingly.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Tax and Social-Insurance Procedure Code

(SG No. 102/2019, effective 1.01.2020)

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§ 14. The provision of Article 47d(3)(1) of the Corporate Income Tax Act shall apply to tax losses that originated after 31 December 2018.

Annex 1

to Item 1 of Article 100

(Supplemented, SG No. 108/2007, effective 1.01.2007,

repealed, SG No. 69/2008, effective 1.01.2009)

Annex 2

to Item 3 of Article 100 and Item 1 of Article 108 (2)

(Supplemented, SG No. 108/2007, effective 1.01.2007,

repealed, SG No. 69/2008, effective 1.01.2009)

Annex 3

to Item 1 of Article 137

(Supplemented, SG No. 108/2007, effective 1.01.2007,

SG No. 91/2013, effective 1.07.2013)

List of Companies in the Member States of the European Union Referred to in Item 1 of Article 137 Herein

(a) companies incorporated under Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE) and Council Directive 2001/86/EC supplementing the Statute for a European company with regard to the involvement of employees, included under Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society (SCE) and Council Directive 2003/72/EC supplementing the Statute for a European Cooperative Society with regard to the involvement of employees;

(b) companies under Belgian law 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"/"cooperative vennootschap met beperkte aansprakelijkheid", "societe en nom collectif"/"vennootschap onder firma", "societe en commandite simple"/"gewone commanditaire vennootschap", public undertakings which have adopted one of the above-mentioned legal forms, as well as other companies constituted under Belgian law and subject to the Belgian Corporate Tax;

(c) companies under Czech law known as: "akciova spolecnost", "spolecnost s rucenim omezenym";

(d) companies under Danish law known as "aktieselskab" and "anpartsselskab"; other companies subject to tax under the Corporation Tax Act, in so far as their taxable income is calculated and taxed in accordance with the general tax legislation rules applicable to "aktieselskaber";

(e) companies under German law 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 constituted under German law and subject to German corporate tax;

(f) companies under Estonian law known as: "taisuhing", "usaldusuhing", "osauhing", "aktsiaselts", "tulundusuhistu";

(g) companies under Greek law known as: "??????? ???????", "??????? ???????????c ??????c" (?.?.?);

(h) companies under Spanish law known as: "sociedad anonima", "sociedad comanditaria por acciones", "sociedad de resposabilidad limitada", as well as those public law bodies which operate under private law;

(i) companies under French law known as "societe anonyme", "societe en commandite par actions", "societe a responsabilite limitee", "societe par actions simplifiee", "societe d'assurances mutuelles", "caisses d'epargne et de prevoyance", "societes civiles", which are automatically subject to corporation tax, "cooperatives", "unions de cooperatives", industrial and commercial public establishments and undertakings, as well as other companies constituted under French law which are subject to the French Corporate Tax;

(j) companies incorporated or existing under Irish laws, bodies registered under the Industrial and Provident Societies Act, building societies incorporated under the Building Societies Acts and trustee savings banks within the meaning of the Trustee Savings Banks Act, 1989;

(k) companies under Italian law known as: "societa per azioni", "societa in accomandita per azioni", "societa a responsabilita limitata", "societa cooperativa", "societa di mutua assicurazione", as well as private and public entities whose activity is wholly or principally commercial;

(l) under Cypriot law: “???????c”, as defined in the Income Tax laws;

(m) companies under Latvian law known as: “akciju sabiedriba”, “sabiedriba ar ierobezotu atbildibu”;

(n) companies incorporated under the law of Lithuania;

(o) companies under Luxembourg law 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”, “enterprise de natura commerciale, industrielle ou miniere de l’Etat, des communes, des syndicats de communes, des etablissements publics et des autres personnes marales de droit public”, as well as other companies constituted under Luxembourg law which are subject to the Luxembourg Corporate Tax;

(p) companies under Hungarian law known as: “kozkereseti tarsasag”, “bereti tarsasag”, “kozos vallat”, “korlatolt felelossegu tarsasag”, “reszvenytarsasag”, “egyesules”, “kozhasznu tarsasag”, “szovetkezet”;

(q) companies under Maltese law known as: “Kumpaniji ta’ Responsabilita Limitata”, “Socjetajiet en commandite li l-kapital taghhom maqsum fazzjonijiet”;

(r) companies under Dutch law known as: “naamloze vennootschap”, “besloten vennootschap met beperkte aansprakelijkheid”, “Open commanditaire vennootschap”, “Cooperatie”, “onderlinge waarborgmaatschappij”, “Fonds voor gemene rekening”, “vereniging op cooperative grondslag” and “vereniging welke op onderlinge grondslag als verzekeraar of kredietinstelling optreedt”, as well as other companies constituted under Dutch law which are subject to the Dutch Corporate Tax;

(s) companies under Austrian law known as: “Aktiengesellschaft”, “Gesellschaft mit beschrankter Haftung”, “Erwerbs- und Wirtschaftsgenossenschaften”;

(t) companies under Polish law known as: “spolka akcyjna”, “spolka z ograniczona odpowiedzialnoscia”;

(u) commercial companies or civil law companies having a commercial form, as well as other legal persons carrying on commercial or industrial activities, which are incorporated under Portuguese law;

(v) companies under Slovenian law known as: “delniska druzba”, “komanditna druzba”, “druzba z omejeno odgovornostjo”;

(w) companies under Slovak law known as: “akciova spolocnost”, “spolocnost s rucenim obmedzenym”, “komanditna spolocnost ”;

(x) companies under Finnish law known as: “osakeyhtio”/”aktiebolag”, “osuuskunta”/”andelslag”, “saastopankki”/”sparbank” and “vakuutusyhtio”/”forsakringsbolag”;

(y) companies under Swedish law known as: “aktiebolag”, “forsakringsaktiebolag”, “ekonomiska foreningar”, “sparbanker”, “omsesidiga forsakringsbolag”;

(z) companies incorporated under the law of the United Kingdom of Great Britain and

Northern Ireland.

(aa) companies under Romanian law known as “sosietati pe actiuni”, sosietati in comandita pe actiuni”, “sosietati cu raspundere limitata”.

(bb) (new, SG No. 91/2013, effective 1.07.2013) companies under Croatian law known as: “dionicko drustvo”, “drustvo s ogranicenom odgovornoscu”, and other companies constituted under Croatian law and subject to profit tax in the Republic of Croatia.

Annex 4
to Item 3 of Article 137
(Supplemented, SG No. 108/2007, effective 1.01.2007,
SG No. 91/2013, effective 1.07.2013)

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,
- ????? ??????µ???? ??µ???? ???????? ????????????? ????????? in Greece,
- impuesto sobre sociedades in Spain,
- impot sur les societes in France,
- (new, SG No. 91/2013, effective 1.07.2013) porez na dobit in Croatia,
- corporation tax in Ireland,
- imposta sul reddito delle societa in Italy,
- impot sur le revenu des collectivites in Luxembourg,
- venflootschapsbelasting in the Netherlands,
- imposto sobre o rendimento das pessoas colectivas in Portugal,
- corporation tax in the United Kingdom of Great Britain and Northern 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,
- ????? ??????????? 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 prijmu pravnickych osob in Slovakia,

- impozit pe profit in Romania.

Annex 5
to Item 1 (a) of Article 195 (12)
(New, SG No. 94/2010, effective 1.01.2011,
supplemented, SG No. 91/2013, effective 1.07.2013,
amended, SG No. 100/2013, effective 1.01.2014,
SG No. 105/2014, effective 1.01.2015)

List of Non-resident Legal Persons in the Member States of the European Union Referred to in Item 1 (a) of Article 195 (12) Herein

(a) companies under Belgian law known as: "naamloze vennootschap/societe anonyme, commanditaire vennootschap op aandelen/societe en commandite par actions, besloten vennootschap met beperkte aansprakelijkheid/societe privee a responsabilite limitee" 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 beschrankter Haftung" and "bergrechtliche Gewerkschaft";

(d) companies under Greek law known as: "??????? ?????i?";

(e) companies under Spanish law known as: "sociedad anonima, 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: "societe anonyme, societe en commandite par actions, societe a responsabilite limitee" 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: "societa per azioni, societa in accomandita per azioni, societa a responsabilita limitata" and public and private entities carrying on industrial and commercial activities;

(i) companies under Luxembourg law known as: "societe anonyme, societe en commandite par actions and societe a responsabilite limitee";

(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 beschrankter 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: "osakeyhtio/aktiebolag, osuuskunta/andelslag, saastopankki/sparbank" and "vakuutusyhtio/forsakringsbolag";

(n) companies under Swedish law known as: “aktiebolag” and “forsakringsaktiebolag”;

(o) companies incorporated under the law of the United Kingdom;

(p) companies incorporated under Czech law known as: “akciova spolecnost”, “spolecnost s rucenim omezenym”, “verejna obchodni spolecnost”, “komanditni spolecnost”, “druzstvo”;

(q) companies incorporated under Estonian law known as: “taisuhing”, “usaldusuhing”, “osauhing”, “aktsiaselts”, “tulundusuhistu”;

(r) companies incorporated 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 incorporated under Latvian law known as: “akciju sabiedriba”, “sabiedriba ar ierobezotu atbildibu”;

(t) companies incorporated under the law of Lithuania;

(u) companies incorporated under Hungarian law known as: “kozkereseti tarsasag”, “beteti tarsasag”, “kozos vallalat”, “korlatolt felelossegu tarsasag”, “reszvenytarsasag”, “egyesules”, “kozhasznu tarsasag”, “szovetkezet”;

(v) companies incorporated under Maltese law known as: “Kumpaniji ta' Responsabilita' Limitata”, “Socjetajiet in akkomandita li l-kapital taghhom maqsum f'azzjonijiet”;

(w) companies incorporated under Polish law known as: “spolka akcyjna”, “spolka z ograniczona odpowiedzialnoscia”;

(x) companies incorporated under Slovenian law known as: “delniska druzba”, “komanditna delniska druzba”, “komanditna druzba”, “druzba z omejeno odgovornostjo”, “druzba z neomejeno odgovornostjo”;

(y) companies incorporated under Slovak law known as: “akciova spolocnos” , “spolocnost s rucenim obmedzenym” , “komanditna spolocnos” , “verejna obchodna spolocnos”, “druzstvo”;

(z) companies under Romanian law known as: “societati pe actiuni”, “societati in comandita pe actiuni”, “societati cu raspundere limitata”.

(aa) (new, SG No. 91/2013, effective 1.07.2013) companies under Croatian law known as: “dionicko drustvo”, “drustvo s ogranicenom odgovornoscu”, and other companies constituted under Croatian law and subject to profit tax in the Republic of Croatia.

Annex 6
to Item 1 (c) and Item 4 (b) of Article 195 (12)
(New, SG No. 94/2010, effective 1.01.2011,
supplemented, SG No. 91/2013, effective 1.07.2013,
amended, SG No. 100/2013, effective 1.01.2014,
SG No. 105/2014, effective 1.01.2015)

List of Taxes in the Member States of the European Union Referred to in Item 1 (c) and Item 4 (b) of Article 195 (12) herein

- impot des societes/vennootschapsbelasting in Belgium,
- selskabsskat in Denmark,
- Korperschaftsteuer in Germany,
- ????? ??????????? ??????? ???????? in Greece,
- impuesto sobre sociedades in Spain,
- impot sur les societes in France,

- (new, SG No. 91/2013, effective 1.07.2013) porez na dobit in the Republic of Croatia,
- corporation tax in Ireland,
- imposta sul reddito delle persone giuridiche in Italy,
- impot sur le revenu des collectivites in Luxembourg,
- vennootschapsbelasting in the Netherlands,
- Korperschaftsteuer in Austria,
- imposto sobre o rendimento da pessoas colectivas in Portugal,
- yhteisojen tulovero/inkomstskatten for samfund in Finland,
- statlig inkomstskatt in Sweden,
- corporation tax in the United Kingdom,
- Dan z prijmu pravnickych osob in the Czech Republic,
- Tulumaks in Estonia,
- ????? ??????????? 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, impozitul pe veniturile obtinute din Romania de nerezidenti in Romania.