



REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

Tax Policy Directorate

TAX EXPENDITURE FORECAST FOR 2022

Type of Tax	Number of Tax Expenditure Items	Number of Tax Expenditure Items Measured	Estimate 2022
			(in BGN)
VAT	2	1	126 216 000
Excise duties	7	7	54 032 000
Corporate income taxes	20	11	318 501 000
Personal income taxes	13	13	341 215 000
Total	42	32	839 964 000

Explanatory note to the Tax Expenditure Forecast for 2022

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

At present, Tax Expenditure Reports covering the period from 2007 to 2020 have been prepared in Bulgaria. Since 2012 reports on tax expenditures have been prepared and published annually. Reports for previous periods have been used as a basis for forecasting future tax expenditures.

The Tax Expenditure Forecast for 2022 is the seventh preliminary assessment of the tax expenditures arising from tax incentives and tax reliefs, regulated under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act, for the respective year. The Tax Expenditure Forecast was published for the first time in 2015, and since then annual publication has been introduced.

The applied methodology for the forecast of tax expenditures for 2022 is the same used in the preparation of the previous tax expenditures estimates and includes the following main steps:

- Making a list of the tax incentives and reliefs under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act in force for 2022;
- Identification of which of the tax incentives and reliefs are tax expenditures and which of them are part of the tax standard;
- Making a list of the 2022 tax expenditures;
- Selecting appropriate evaluation methods;
- Analysing of the available information and sources of information for the measuring of the tax expenditures;

- Measuring of the tax expenditures.

For the purposes of the present forecast the foregone revenue method is used. This is the most commonly used method of estimating the value of the tax expenditures, which involves estimation of amounts that have not been paid into the budget as a result of the existence of a certain tax expenditure item.

The evaluation of tax expenditures by the different types of taxes is based on the information from the Autumn Macroeconomic Forecast of the Ministry of Finance for the period 2021 - 2024, the adopted changes in the tax legislation for 2022, some of the 2022 State Budget Act provisions, as well as reporting information provided by the National Revenue Agency, the Customs Agency, the National Statistical Institute, the Bulgarian National Bank, etc.