



REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

Tax Policy Directorate

TAX EXPENDITURE FORECAST FOR 2023

Type of Tax	Number of Tax Expenditure Items	Number of Tax Expenditure Items Measured	Estimate 2023
			(in BGN)
VAT	11	10	389 693 000
Excise duties	8	7	316 055 000
Corporate income taxes	20	11	474 580 000
Personal income taxes	14	14	556 566 000
Total	53	42	1 736 894 000

Explanatory note to the Tax Expenditure Forecast for 2023

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. The forecast of tax expenditures is a part of the package of documents on the draft state budget for the next calendar year and is included as a separate appendix in the updated medium-term budget forecast for the relevant period (Appendix №10 of UMBF 2023-2025).

At present, Tax Expenditure Reports covering the period from 2007 to 2021 have been prepared in Bulgaria. Since 2012 reports on tax expenditures have been prepared and published annually. Reports for previous periods are used as a basis for forecasting future tax expenditures.

The Tax Expenditure Forecast for 2023 is the eight 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 2023 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 2023;
- 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 2023 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 Spring Macroeconomic Forecast of the Ministry of Finance for the period 2023 - 2026, the proposed changes in the tax legislation for 2023, some provisions of the Draft of the 2023 State Budget Act, as well as reporting information provided by the National Revenue Agency, the Customs Agency, the National Statistical Institute, the Bulgarian National Bank, etc.