



REPUBLIC OF BULGARIA
MINISTRY OF FINANCE

Tax Policy Directorate

TAX EXPENDITURE FORECAST FOR 2024

Type of Tax	Number of Tax Expenditure Items	Number of Tax Expenditure Items Measured	Estimate 2024 (in BGN)
VAT	5	4	276 326 000
Excise duties	7	7	172 671 000
Corporate income taxes	18	10	633 465 000
Personal income taxes	14	14	696 684 000
Total	44	35	1 779 146 000

Explanatory note to the Tax Expenditure Forecast for 2024

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 ASBP 2024-2026).

At present, Tax Expenditure Reports covering the period from 2007 to 2022 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 2024 is the ninth 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 2016 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 2024 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 2024;
- 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 2024 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 2024 - 2026, the tax legislation in force, the adopted changes in the tax legal acts for 2024, the main basic assumptions in the updated medium term budget forecasts, some of the 2024 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.