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, effective 1.01.2011, 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, amended and supplemented, SG No. 18/28.02.2020, effective 1.01.2021, amended, SG No. 28/24.03.2020, effective 24.03.2020, amended and supplemented, SG No. 38/24.04.2020, effective 1.01.2022, SG No. 69/4.08.2020, SG No. 104/8.12.2020, effective 1.01.2021, amended, SG No. 107/18.12.2020, effective 1.01.2021, SG No. 110/29.12.2020, effective 31.12.2020, amended and supplemented, SG No. 14/17.02.2021, effective 17.02.2021, amended, SG No. 21/12.03.2021, SG No. 8/28.01.2022, effective 1.01.2022, amended and supplemented, SG No. 14/18.02.2022, effective 18.02.2022, amended, SG No. 17/1.03.2022, effective 1.01.2022, SG No. 25/29.03.2022, effective 29.03.2022, supplemented, SG No. 51/1.07.2022, amended and supplemented, SG No. 99/13.12.2022, effective 1.01.2023, amended, SG No. 100/16.12.2022, effective 1.01.2023, amended and supplemented, SG No. 102/23.12.2022, effective 13.12.2022, amended, SG No. 104/30.12.2022, effective 1.01.2023, amended and supplemented, SG No. 66/1.08.2023, effective 1.01.2023, SG No. 86/13.10.2023, effective 13.10.2023, amended, SG No. 102/8.12.2023, amended and supplemented, SG No. 106/22.12.2023, effective 1.01.2024, amended, SG No. 108/30.12.2023, effective 1.01.2024, supplemented, SG No. 42/14.05.2024, amended, SG No. 70/20.08.2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union, supplemented, SG No. 72/27.08.2024, effective 6.07.2024

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 organisations 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 organisers 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;
10. (new, SG No. 106/2023, effective 1.01.2024) the excess profit accruing to multinational enterprise groups and large-scale domestic enterprise groups in the cases referred to in Part Five A herein.

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 producers 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 equated to legal persons.
(3) For the purposes of taxation of income from a source inside the Republic of Bulgaria, any non-resident organisationally 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.
(4) (New, SG No. 14/2022, effective 1.01.2022) Where one or more non-resident entities which are associated enterprises and hold in aggregate a direct or indirect interest in 50 per cent or more of the voting rights, capital interests or rights to a share of profit in a hybrid entity that is incorporated or established in the country which is not a taxable person within the meaning given by Paragraphs (1) and (2), are located in a jurisdiction or jurisdictions that regard the hybrid entity as a taxable person in the Republic of Bulgaria, then any such hybrid entity shall be equated to a legal person for the purposes of this Act. The profits and income of any hybrid entity referred to in sentence one shall be taxed according to the procedure established by this Act to the extent that the said profits and income are not otherwise taxed in the country or according to the legislation of any other jurisdiction.
(5) (New, SG No. 14/2022, effective 1.01.2022) Paragraph (4) shall not apply to a collective investment vehicle. For the purposes of sentence one, collective investment vehicle shall mean an investment fund or vehicle that fulfil the following conditions:
1. are widely held;
2. hold a diversified portfolio of securities;
3. are subject to investor-protection regulation.
(6) (New, SG No. 106/2023, effective 1.01.2024) For the purposes of applying Part A herein, the persons referred to in Article 260f and Article 260aa[25] herein shall be taxable persons.

Resident Legal Persons

Article 3. (1) "Resident legal persons" shall be:
1. any legal persons formed under Bulgarian legislation;
2. any companies formed under Council Regulation (EC) No. 2157/2001, and any cooperative society formed 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 realised 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 corporate 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 corporate tax shall be levied on:
1. (amended, SG No. 1/2014, effective 1.01.2014) the activity of organising 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.
(6) (New, SG No. 106/2023, effective 1.01.2024) The excess profits of multinational enterprise groups and large-scale domestic enterprise groups shall attract a top-up tax and a domestic top-up tax in the cases referred to in Part A herein.
(7) (New, SG No. 106/2023, effective as from 1 January of the year following the year in which the European Commission determines that the measure does not constitute State aid or is compatible State aid) The activity of the persons referred to in Items 1, 2 and 3 of Article 2 (1) herein, which is specified in Item 2 of Annex 4 to Section VI of Chapter Two of the Local Taxes and Fees Act, shall attract a licence tax 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.
(8) (New, SG No. 106/2023, effective as from 1 January of the year following the year in which the European Commission determines that the measure does not constitute State aid or is compatible State aid) Where, within the current fiscal year, the grounds for levy of a licence tax according to the procedure established by the Local Taxes and Fees Act cease to apply, the profits of the persons referred to in Items 1, 2 and 3 of Article 2 (1) herein shall be taxed according to the standard procedure established by this Act.
(9) (New, SG No. 106/2023, effective as from 1 January of the year following the year in which the European Commission determines that the measure does not constitute State aid or is compatible State aid) In the cases referred to in Paragraph (8), the persons referred to in Items 1, 2 and 3 of Article 2 (1) herein shall not owe tax prepayments for the current year within the meaning given by this Act.
(10) (New, SG No. 106/2023, effective as from 1 January of the year following the year in which the European Commission determines that the measure does not constitute State aid or is compatible State aid) Where, within the current fiscal year, the person referred to in Item 1, 2 or 3 of Article 2 (1) herein deregisters under the Value Added Tax Act, the said person shall be taxed according to the standard procedure established by this Act for the entire tax year.

Determination of Amount of Tax

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

Tax Returns and Annual Activity Reports
(Heading amended, SG No. 38/2020, effective 1.01.2022)

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.
(3) (New, SG No. 38/2020, effective 1.01.2022) Annual activity reports shall be submitted by electronic means in accordance with theunder a procedure and in thea manner set out inaccording to Article 20(5) of the Statistics Act.

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 on any tax prepayments.

Documentary Support

Article 10. (1) An accounting expense shall be recognised 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 recognised 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 tax base 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 recognised 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.
(3) (New, SG No. 14/2022, effective 18.02.2022) Any expenses, income, profits and losses arising from sale and leaseback contracts classified as an operating lease, accounted for according to the International Accounting Standards, at lessee sellers, shall not be recognised for tax purposes. Any right-of-use assets arising from sale and leaseback contracts classified as an operating lease, according to the International Accounting Standards, which are recognised at lessee sellers, shall not be tax depreciable assets.
(4) (New, SG No. 14/2022, effective 18.02.2022) Any expenses, income, profits and losses arrived at according to the rules of Accounting Standard 17 Leases with regard to sale and leaseback contracts classified as an operating lease, classified as an operating lease, applied to the respective contracts under Paragraph (3), shall be recognised for tax purposes. The amounts referred to in sentence one shall be treated as accounting expenses, income, profits and losses for the purposes of this Act.
(5) (New, SG No. 14/2022, effective 18.02.2022) Paragraphs (1) and (2) shall not apply to any contracts under Paragraph (3).

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 corporate 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 corporate 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 tax base and

which differ from the terms between unrelated parties, the tax base 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 tax base shall be determined ignoring the said transactions, certain terms thereof or the legal form thereof and taking into consideration the tax base that would be obtained upon entry into a normal transaction of the relevant type at market prices and aimed at achieving 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
CORPORATE TAX

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.

Tax Base

Article 19. The tax base for assessment of corporate tax shall be the tax profit.

Tax Rate

Article 20. The corporate tax rate shall be 10 per cent.

Tax Period

Article 21. (1) The tax period for assessment of corporate tax shall be the calendar year, save as otherwise provided for in this Act.
(2) In respect of any newly formed taxable persons, the tax period shall cover the period from the date of formation 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 recognised for tax purposes.
(2) For the purposes of determining the tax financial result, where this Act indicates that:
1. a cost (loss) is not recognised 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 recognised 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 recognised 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 disregarded in the year of accounting for any such expense, which will be recognised during succeeding years, when the conditions for recognition according to this Part occur;
2. any income disregarded in the year of accounting for any such income, which will be recognised 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 determining the tax financial result, where this Act indicates that:
1. any cost (loss), which is not recognised for tax purposes in the year of accounting and will be recognised 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 recognised for tax purposes in the year of accounting and will be recognised 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-Recognised Income and Cost

Article 25. For the purposes of determining the tax financial result, where this Act indicates that any income (cost) or profit (loss) is recognised 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 recognised 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 recognised 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 Act;
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 debts or municipal debts;
7. any expenses on donations 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;
13. (new, SG No. 42/2024) bonus expenditure under the Gambling Act.

Disregarded Income

Article 27. (1) The following accounting income shall not be recognised for tax purposes:
1. (supplemented, SG No. 69/2008, effective 1.01.2009) any income resulting from distribution of dividends by resident legal persons and by non-resident persons who are resident for tax purposes in a Member State of the European Union or in another State that is party to 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 disregarded expenses referred to in Items 3, 4, 5, 6, 8 and 10 of Article 26 herein, up to the amount of the disregarded 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. (amended, SG No. 21/2021, supplemented, SG No. 51/2022) to any income charged as a result of distribution of dividends by licensed special purpose investment companies under the Special Purpose Investment Companies and Securitisation 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 decrease of 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 recognised 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 recognised 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 quantities 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 quantities 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 disregarded 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 disregarded according to the procedure established by Paragraphs (1) to (4), shall be disregarded.

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 recognised 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 "medical and social care homes for children according to the Medical-Treatment Facilities Act", effective 31.12.2023 - amended, SG No. 110/2020, effective 31.12.2020, SG No. 8/2022, effective 1.01.2022, SG No. 104/2022, effective 1.01.2023);
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 people 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 enterprises listed in the Register of Social Enterprises, for the implementation of the social activities thereof and/or for the attainment of the social goals thereof.
(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 recognised 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 incurred in favour of Bulgarian schools, including higher schools, shall be recognised for tax purposes.
(5) The aggregate amount of the expenses on donations recognised 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 recognised 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 formation of a legal person shall be recognised for tax purposes at the taxable persons which are the founders. The disregarded expenses shall be recognised 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 recognised for tax purposes in respect of the founders upon occurrence of circumstances determining that the legal existence of a new legal person will not commence. The said expenses shall be recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 disregarded according to the procedure established by Article 34 herein shall be recognised 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 disregarded income referred to in Article 34 herein in respect of the said type of stocks of materials during preceding years shall be recognised 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised 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) (Previous text of Article 37, amended, SG No. 100/2013, effective 1.01.2014) Any income and expenses from subsequent valuations and from write-off of claims disregarded according to the procedure established by Article 34 herein shall be recognised 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 recoverable;
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 disregarded income and expenses shall be recognised 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 disregarded income and expenses shall be recognised 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 disregarded according to the procedure established by Article 34 herein shall be recognised for tax purposes in the year of the discharge.

Provisions for Debts

Article 38. (1) Any expenses on provisions for debts shall be recognised for tax purposes in the year of accounting for any such expenses.
(2) Any expenses on provisions disregarded under Paragraph (1) shall be recognised for tax purposes in the year of repayment of the debt for which the provision has been recognised 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 income or, respectively, with the amount wherewith the accounting expenses have been debited, accounted for in connection with a recognised 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 recognised 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 disregarded provision 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 corporate tax as arrived at according to the procedure established by Paragraph (2).
(2) The overremitted corporate tax shall be arrived at as a product of the repaid part of the debts, in respect of which a disregarded provision has been charged, and the corporate tax rate 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 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 associated with any such leaves, for compulsory social and health insurance, shall not be recognised for tax purposes in the year of accounting for any such expenses.

(2) Any disregarded expenses on accumulating unused (compensable) leaves referred to in Paragraph (1) shall be recognised 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 disregarded expenses on compulsory social and health insurance referred to in Paragraph (1) shall be recognised 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 the 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 recognised 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 capitalised 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 on Natural Persons Act, which are not paid as at the 31st day of December of the current year, shall not be recognised 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 disregarded under Paragraph (1) shall be recognised 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 disregarded expenses referred to in Paragraph (1) shall not be recognised 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 recognised 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 capitalised as part of the value of a tax depreciable asset.

Regulation of Thin Capitalisation

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 disregarded 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 disregarded 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 disregarded and recognised under Paragraphs (1) and (2).
(6) Paragraph (1) shall not apply where:

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

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 disregarded 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 expenses on interest payments for 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, disregarded 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 disregarded and recognised exceeding borrowing costs under Paragraphs (1) and (5).
(7) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Paragraph (1) shall not apply where the exceeding borrowing costs, as determined for the current year, does not exceed EUR 3,000,000.
(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 abroad, 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 subsequent valuations reserve (revaluation 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 recoverable;
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. (amended, SG No. 106/2023, effective 1.01.2024) the taxable person has submitted an application 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 relevant 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 that is 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 debiting 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 realised prior to the acquisition of the investment;
2. (amended, SG No. 21/2021, supplemented, SG No. 51/2022) any dividends distributed by licensed special-purpose investment companies under the Special Purpose Investment Companies and Securitisation 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 decrease of 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 recognised 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 abroad whereof 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, amended and supplemented, SG No. 96/2019, effective 1.01.2020, repealed, SG No. 14/2022, effective 18.02.2022).

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 herein, only from the tax profits of the same controlled foreign company or from the tax profit 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 inside the country or 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 in respect of 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 relevant tax period, 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 country where the foreign entity is resident for tax purposes or where the permanent establishment is situated;
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 recognised for tax purposes.

Tax Tangible Fixed Assets

Article 50. (1) (Amended, SG No. 97/2016, effective 1.01.2017, renumbered 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 tangible fixed asset which are leased 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 recognised 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 disregarded expenses referred to in sentence one shall be recognised 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 recognised upon determination of the tax financial result.
(2) (Supplemented, SG No. 110/2007) The accounting expenses on depreciation shall not be recognised 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).
(7) (New, SG No. 104/2020, effective 1.01.2021) In respect of the following Category IV assets, the annual rate of tax depreciation may not exceed 100 per cent:
1. software or right to use software, included in the list referred to in Article 118 (16) of the Value Added Tax Act;
2. computers, computer peripheral equipment or mobile telephones whereon software included in the list referred to in Article 118 (16) of the Value Added Tax Act is installed.

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 a tax depreciable value and tax depreciation charged which shall be 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 using the following formula:

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

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 placed in liquidation or subject to bankruptcy proceedings 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) (Previous text of 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 derived from 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, the subsequent expenses which, according to accounting legislation, lead to future economic benefits derived from the said asset, shall be posted as a separate tax depreciable 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 recognised 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 disregarded 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 recognised 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 recognised 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 ordinary course of business carried on by the taxable person;
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 Provisions

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 Abroad 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 in respect of 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 abroad 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 Abroad 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 abroad 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 abroad 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 using the following formula:

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

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 not made.
(2) Upon determination of the tax liability on the tax financial result for a prior year as corrected under Paragraph (1), the tax rate 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 relevant 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 recognised 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 recognised 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 recognised 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 recognised for tax purposes in the year of accounting for such expenses.
(2) The disregarded expenses referred to in Paragraph (1) shall be recognised 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 recognised 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 determining 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 corporate 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 recognised 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 recognised 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 Provisions

Article 83. (1) (Previous text of 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 corporate 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, SG No. 104/2020, effective 1.01.2021) any taxable persons whose net turnover for the year preceding the last preceding year does not exceed BGN 300,000;
2. (supplemented, SG No. 104/2020, effective 1.01.2021) any newly formed taxable persons, for the year of the formation thereof and for the next succeeding year, with the exception of any such persons newly formed 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, SG No. 104/2020, effective 1.01.2021) Monthly tax prepayments shall be made by any taxable person whose net turnover for the year preceding 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 using the following formula:

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

where:

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

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

RT shall be the corporate tax rate.

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:

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

where:

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

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

RT shall be the corporate tax rate.

Declaring of Tax Prepayments

Article 87a. (New, SG No. 94/2012, effective 1.01.2013) (1) (Amended, SG No. 104/2020, effective 1.01.2021) The tax prepayments for the current calendar year, determined according to the procedure established by Articles 86 and 87 herein, shall be declared in a declaration in a standard form during the period from the 1st day of March until the 15th day of April of the same 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 formed as a result of a transformation, shall be declared in a declaration 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 formed 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, supplemented, SG No. 104/2020, effective 1.01.2021) The taxable persons may submit, not later than the 15th day of November of the relevant year, 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 corporate 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 Corporate 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, SG No. 104/2020, effective 1.01.2021) Where the annual corporate tax due exceeds the sum of the monthly tax prepayments determined for the relevant year by more than 25 per cent, or where 75 per cent of the annual corporate tax due exceeds the sum of the quarterly tax prepayments determined for the relevant year by more than 25 per cent, interest shall be due on the excess over 25 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. (amended, SG No. 104/2020, effective 1.01.2021) monthly tax prepayments shall be remitted as follows:
A = B - (C + 0.25 x C), where:
A is the amount whereon interest is due;
B is the annual corporate tax due;
C is the total amount of monthly tax prepayments determined for the year;
2. (amended, SG No. 104/2020, effective 1.01.2021) quarterly tax prepayments shall be remitted as follows:
A = 0.75 x B - (C + 0.25 x C), where:
A is the amount whereon interest is due;
B is the annual corporate 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 formed 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. (amended, SG No. 104/2020, effective 1.01.2021) for the months from April until November: not later than the 15th day of the month to which the said prepayments apply;
3. (new, SG No. 104/2020, effective 1.01.2021) for the month of December: not later than the 1st day of December of the current calendar year.
(2) (Amended, SG No. 104/2020, effective 1.01.2021) Quarterly tax prepayments for the first and second quarters shall be remitted not later than 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 1st 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 corporate 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
CORPORATE TAX DECLARING AND REMITTANCE

Declaring of Corporate Tax

Article 92. (1) Any taxable persons which are liable to corporate tax shall submit an annual tax return in a standard form regarding the tax financial result and the annual corporate tax due.
(2) (*) (Amended, SG No. 104/2020, effective 1.01.2021) The annual tax return shall be submitted during the period from the 1st day of March until the 30th day of June of the next succeeding year at the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable person.

(*) *Editor's Note.* According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

---

(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 abroad 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.
(8) (New, SG No. 72/2024, effective 6.07.2024) Taxable person that is a subsidiary or a branch of a third-country enterprise under Paragraph (1) or (4) of Article 52b of the Accountancy Act shall state in the annual tax return information on the net turnover in the country and in the European Union for the last reporting period of the third-country enterprise.

Tax Remittance

Article 93. (Amended, SG No. 104/2020, effective 1.01.2021) (1) (Previous text of Article 93, SG No. 106/2023, effective 1.01.2024) Any taxable person shall remit the corporate tax for the relevant year not later than the 30th day of June of the next succeeding year after deduction of the tax prepayments remitted for the relevant year.
(2) (New, SG No. 106/2023, effective as from 1 January of the year following the year in which the European Commission determines that the measure does not constitute State aid or is compatible State aid) In the cases referred to in Article 5 (8) herein, the licence tax due and remitted according to the procedure established by the Local Taxes and Fees Act by the date of submission of the declaration on the lapse of the grounds for levy of a licence tax shall be deducted from the annual corporate tax. The amount of the licence tax under sentence one shall first be certified by a document issued by the competent municipality.

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 recognised 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) (Previous text of 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 recognised 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 recognised for tax purposes during a preceding year, the said income and expenses shall be recognised 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 recognised 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, recognised 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, recognised during the current year directly in the owners' equity thereof.
(3) (Amended, SG No. 110/2007) Any profits and losses recognised 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 recognised 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 recognised 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 Provisions

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 Dissolution of Transferring Company

Article 114. The last tax period upon dissolution of the 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 formation 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 corporate 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 associated with the asset or liability shall be recognised 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 corporate 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 corporate 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 disregarded 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 corporate 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, supplemented, SG No. 104/2020, effective 1.01.2021) In the year of transformation, the receiving companies shall make the same type of tax prepayments as before the transformation, and the newly incorporated companies shall make quarterly tax prepayments in the year of transformation and in the next succeeding year.
(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 disregarded expenses on interest payments and/or any disregarded 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 disregarded expenses on interest payments and/or any disregarded 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 recognised for tax purposes at the transferring company. The disregarded expenses shall be recognised 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 recognised 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 recognised for tax purposes at the transferring company. The said income and expenses, profits and losses shall not be recognised 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 organisations 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 organisations;
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 organisations, the newly formed or acquiring companies/cooperative organisations shall incur solidary liability for the tax liabilities of the transferring companies or cooperative organisations 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 organisations, 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 whereby an economic activity that is independent from an organisational, functional and financial point of view can be carried out.

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 recognised for tax purposes.
(2) The temporary tax differences associated with any assets and liabilities referred to in Item 1 of Article 139 herein, which have originated before the transformation, shall not be recognised 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 recognised 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 wherewith the reserve is associated.
(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 recognises according to accounting legislation any assets or liabilities which were not recognised at the transferring company, the post-transformation income and expenses accounted for in connection with the said assets and liabilities shall not be recognised 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 recognised 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 recognised 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 recognised 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 associated with any asset or liability referred to in sentence one, which have originated before the transformation, shall be recognised 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 recognised 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 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 recognised for tax purposes.
(2) The temporary tax differences associated with any assets and liabilities referred to in Paragraph (1) herein, shall not be recognised for tax purposes at the time of transformation and during the succeeding years.
(3) For tax purposes, in cases other than those under 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 associated with the asset or liability shall be recognised 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 disregarded expenses on interest payments and/or any disregarded 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, supplemented, SG No. 104/2020, effective 1.01.2021) In the year of transformation, the receiving companies shall make the same type of tax prepayments as before the transformation, and the newly incorporated companies shall make quarterly tax prepayments in the year of transformation and in the next succeeding year.
(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 recognised 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 recognised 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 recognised 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 recognised 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) 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 not later than the 31st day of January of the relevant year, 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 assessing 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 recognised 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 recognised 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 recognised 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 is aimed at evading or avoiding tax. 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 formation 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 formation 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.

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 152 of Article 1 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. corporate tax shall not be levied on the company for the period from the beginning of the year until the date of the operation;
3. corporate 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. corporate 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. corporate 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) (Amended, SG No. 106/2023, effective 1.01.2024) The taxable person shall apply Articles 155a to 155e and Article 157 herein in the cases where the Republic of Bulgaria loses the right to tax the result of a subsequent disposal 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) (Repealed, SG No. 106/2023, effective 1.01.2024).
(3) (Repealed, SG No. 106/2023, effective 1.01.2024).

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 Provisions

General Provisions

Article 158. (1) (Amended, SG No. 99/2011, effective 1.01.2012, previous text of 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
Corporate 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 corporate tax in respect of the tax profit realised during the last tax period according to the standard procedure established by this Act. The corporate 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 161 (3) 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 associated with the said assets shall be recognised 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 recognised for tax purposes.

Chapter Twenty-Two
RETENTION AND EXEMPTION FROM LEVY OF

CORPORATE 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) "Corporate tax retention" shall be the right of any taxable person not to remit to the State budget the amounts of corporate 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 Corporate Tax Retention
(Heading amended, SG No. 105/2014, effective 1.01.2015)

Article 167. (1) (Amended, SG No. 105/2014, effective 1.01.2015) Corporate 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) (New, SG No. 99/2022, effective 1.01.2023) For the purposes of the foregoing sentence, obligations under Paragraph (1) are not incurred where the said obligations are not shown in the tax and social-insurance account or are not shown as presented for coercive enforcement at the National Revenue Agency by the 31st day of December of the relevant year.
(3) (Renumbered from Paragraph (2), SG No. 99/2022, effective 1.01.2023) Fulfillment of the requirement covered under Paragraph (1) shall be certified by the taxable person in the annual tax return.

Accounting for Retained Corporate Tax
(Heading amended, SG No. 105/2014, effective 1.01.2015)

Article 168. (1) (Amended, SG No. 105/2014, effective 1.01.2015) The corporate 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 Non-distributable Income or Expenses

Article 169. (1) The portion of the non-distributable income or expenses, corresponding to the activities in respect of which the corporate tax retention is enjoyed, shall be arrived at by multiplying the total amount of the non-distributable income or expenses by the proportion of the net turnover accruing from the activities in respect of which the corporate tax retention is enjoyed and the total net turnover.
(2) The non-distributable 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 corporate 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 Corporate 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 corporate 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 corporate tax retention.

Retention of Additionally Ascertained Corporate Tax

Article 171. (1) Any taxable person, who has been allowed to retain corporate tax in a prior year, shall furthermore have the right to retention in respect of the additionally ascertained undeclared corporate 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 corporate 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 corporate 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 retention 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 organisations.
(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 corporate tax of the transmitting companies.
(3) Paragraph (2) shall furthermore apply upon restructuring of cooperative organisations.
(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 corporate 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. (amended, SG No. 106/2023, effective 1.01.2023) applicable to a tax relief constituting State aid for farmers: in the amount of the excess of the tax retained over 65 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 Corporate 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 given by Article 38 (7) of Regulation (EC) No. 1303/2013 of the European Parliament and of the Council of 17 December 2013 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. (Amended, SG No. 21/2021, supplemented, SG No. 51/2022) Any special purpose investment company under the Special Purpose Investment Companies and Securitisation Companies Act shall be exempt from the levy of corporate tax.

Bulgarian Red Cross

Article 176. The Bulgarian Red Cross shall be exempt from the levy of corporate tax.

Article 176a. (New, SG No. 1/2014, effective 1.01.2014, supplemented, SG No. 69/2020, amended, SG No. 14/2021, effective 17.02.2021, repealed, SG No. 108/2023, effective 1.01.2024).

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 that is 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 recognised 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 corporate 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) (Amended and supplemented, SG No. 18/2020, effective 1.01.2021) 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. Any such resources shall be planned, spent and accounted for by rules of the national representative organisations of and for people with disabilities in consultation with the Minister of Labour and Social Policy.

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 corporate 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) (Previous text of Article 182, 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, SG No. 99/2022, effective 1.01.2023) are active in the sectors of transport, lignite, coal, steel, energy, broadband networks, 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, amended and supplemented, SG No. 99/2022, effective 1.01.2023, amended, SG No. 66/2023, effective 1.01.2023) 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 that is party to the Agreement on the European Economic Area or has carried out a relocation to the production site in which the aided

initial investment is to take place 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 do not commit not to close down or not to carry out such relocation within two years after the initial investment, for which corporate 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 organisation 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 processing and realisation 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 referred 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 corporate tax [due therefrom] in respect of the tax profit derived thereby from the productive activity 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 productive activity 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 corporate 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) (Amended, SG No. 99/2022, effective 1.01.2023) The person which has acquired a right to corporate 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 InvestBulgaria Agency but not later than 2027.

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, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with

Article 140(3) of the Treaty on the Functioning of the European Union) 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 EUR 200,000, and in respect of a taxable person performing road freight transport for hire or reward - a ceiling of EUR 100,000. 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 corporate tax retained by the taxable person for the last three years, including the corporate tax which is subject to retention for the current year, with the exception of the retained corporate 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 (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, amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) 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 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 fixed tangible or intangible 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 corporate 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 (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, 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, supplemented, SG No. 99/2022, effective 1.01.2023) Regional aid in the form of retained tax shall be granted for an initial investment project of a taxable person which is a micro, small or medium-sised enterprise subject to 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) (amended, SG No. 99/2022, effective 1.01.2023, SG No. 66/2023, effective 1.01.2023) confirms that the aid will have the required incentive effect corresponding to one of the scenarios described in paragraph 59 of the Guidelines on regional State aid (2021/C 153/01) (OJ C 153/1 of 29 April 2021), the aid does not result in the manifest negative effects described in paragraphs 111 - 118 of the Guidelines on regional State aid (2021/C 153/01), as well as that all other conditions for eligibility have been fulfilled, and
(bb) specifies the maximum aid amount, intensity and duration;
(c) (amended, SG No. 99/2022, effective 1.01.2023) 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 Innovation and Growth;
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) (repealed, SG No. 99/2022, effective 1.01.2023);

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 corporate tax is used for the acquisition of tangible and intangible assets which form part of the initial investment project;
(b) (amended, SG No. 99/2022, effective 1.01.2023) the initial investment must be implemented within three calendar years, including the year of receipt of the order referred to in Item 1 (b);
(c) (amended, SG No. 99/2022, effective 1.01.2023) the activity related to the initial investment must continue to be implemented in the respective municipality for a period of at least three 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 three-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 corporate 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) (repealed, SG No. 99/2022, effective 1.01.2023);
(g) (amended, SG No. 99/2022, effective 1.01.2023) the intangible assets included in the initial investment must be used solely in the production site for which the aid is received, must be included in the assets of the taxable person, and must remain associated with the initial investment project for at least three 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) (repealed, SG No. 99/2022, effective 1.01.2023);
4. additional conditions in the cases where the initial investment is part of a large investment project or of a single investment project:
(a) (amended, SG No. 99/2022, effective 1.01.2023) 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 individual notification threshold laid down in Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187 of 26 June 2014), 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; the taxable person shall be obliged to provide the Minister of Finance with the information necessary for the dispatch of notification to the European Commission;
(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) (amended, SG No. 99/2022, effective 1.01.2023) the tax relief may be enjoyed solely if the adjusted regional aid amount for a large investment project, as laid down in paragraph 19 (3) of the Guidelines on regional State aid (2021/C 153/01), is complied with;
(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) (amended, SG No. 99/2022, effective 1.01.2023) 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 which may not exceed the adjusted regional aid amount for a large investment project, as laid down in paragraph 19 (3) of the Guidelines on regional State aid (2021/C 153/01).

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, SG No. 106/2023, effective 1.01.2023) the tax retained must not exceed 65 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 determining the present value of the assets referred to in Item 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, amended, SG No. 106/2023, effective 1.01.2023, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the present value of all assets referred to in Item 1, determined at the date of award of the aid, may not exceed a threshold of EUR 600,000; the interest rate for the purposes of determining the present value of the assets referred to in Item 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 recipient (beneficiary) of any of the following aids:
(a) aid within the meaning given by 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 that is 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 realised 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 municipalities and admitted to trading on a regulated market in the country or in a Member State of the European Union, or in another State that is 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 that is 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 that is 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 a 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 tax rate 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 disregarded expenses of a permanent establishment in the Republic of Bulgaria, 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 for tax purposes in a Member State of the European Union, according to 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 obliged 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 obliged 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, SG No. 100/2022, effective 1.01.2023) By the declaration referred to in Paragraph (1), the persons who or which are obliged 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, 6 and 7 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, amended, SG No. 100/2022, effective 1.01.2023) Any non-resident legal persons, which realise the income referred to in Items 2, 6 and 7 of Article 143h (1) 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 obliged 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 obliged 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 resident for tax purposes in a Member State of the European Union or of another State that is 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 realised 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 realised thereby, the tax as recalculated shall be equal to the corporate tax which would have been due on such incomes if they were realised 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 not later than 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 in any State that is 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) (supplemented, SG No. 66/2023, effective 1.01.2024) the expenses on food vouchers in paper form;
(c) (new, SG No. 66/2023, effective 1.01.2024) the expenses on food vouchers on an electronic medium;
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 recognised 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 corporate 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 Assurances

Article 208. (Supplemented, SG No. 75/2016, effective 1.01.2016, amended, SG No. 104/2020, effective 1.01.2021) 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 person does not incur any coercively enforceable public obligations by the end of the month during which the expenses are charged. For the purposes of the foregoing sentence, obligations are not incurred where the said obligations are not shown in the tax and social insurance account or are not shown as presented for coercive enforcement at the National Revenue Agency by the end of the month during which the expenses are charged.

Exemption from Taxation of Fringe Benefit Expenses on Food Vouchers in paper form (Title supplemented, SG No. 66/2023, effective 1.01.2024)

Article 209. (1) (Amended, SG No. 106/2008, effective 1.01.2009, supplemented, SG No. 75/2016, effective 1.01.2016, amended, SG No. 104/2020, effective 1.01.2021, SG No. 104/2022, effective 1.01.2023, supplemented, SG No. 66/2023, effective 1.01.2024) No tax shall be levied on any expenses on fringe benefits referred to in Article 204(1)(2)(c) herein not exceeding the amount of BGN 200 per month, provided in the form of the food vouchers in paper form to each hired person, where the following conditions are simultaneously fulfilled:
1. (amended, SG No. 110/2007, supplemented, SG No. 66/2023, effective 1.01.2024) the agreed basic monthly remuneration of the person in the month of provision of the food vouchers in paper form is not lesser than the average monthly agreed basic remuneration of the said person for the preceding three months;
2. (amended, SG No. 104/2020, effective 1.01.2021, supplemented, SG No. 66/2023, effective 1.01.2024) the taxable person does not incur any coercively enforceable public obligations by the end of the month during which the expenses on the food vouchers in paper form are charged; for the purposes of the foregoing sentence, obligations are not incurred where the obligations are not shown in the tax and social-insurance account or are not shown as presented for coercive enforcement at the National Revenue Agency by the end of the month during which the expenses are charged;
3. (supplemented, SG No. 66/2023, effective 1.01.2024) the food vouchers in paper form are provided to the taxable person by a person which has obtained authorisation 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) (Supplemented, SG No. 106/2023, effective 1.01.2024) 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 authorisation;
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 authorisation;
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 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, supplemented, SG No. 66/2023, effective 1.01.2024) possesses a specimen of a food voucher in paper form 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) (supplemented, SG No. 66/2023, effective 1.01.2024, amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the specimen states a nominal value of the food vouchers in paper form (given in figures and in words), expressed in Euro;
(e) (supplemented, SG No. 66/2023, effective 1.01.2024) the specimen states a period of validity of the food voucher in paper form;
(f) (supplemented, SG No. 66/2023, effective 1.01.2024) the specimen states an explicit prohibition of the purchase of wine, spirit drinks, beer and tobacco products by means of food vouchers in paper form;
(g) (supplemented, SG No. 66/2023, effective 1.01.2024) the specimen states an explicit prohibition of making change up to the nominal value of the voucher in paper form 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) (supplemented, SG No. 66/2023, effective 1.01.2024) the specimen states the unique number of the individual quota received by the operator within which the food voucher in paper form has been provided;
(k) (supplemented, SG No. 66/2023, effective 1.01.2024) 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.
The circumstances under Items 1 to 4 shall established ex officio by the Ministry of Finance.
(3) (Amended, SG No. 106/2008, SG No. 94/2010, effective 1.01.2011, SG No. 98/2018, effective 1.01.2019, supplemented, SG No. 106/2023, effective 1.01.2024) 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. (supplemented, SG No. 66/2023, effective 1.01.2024) has provided employers with food vouchers in paper form within an individual quota received for the provision of food vouchers in paper form, which are of a nominal value exceeding said individual quota, or has provided food vouchers in paper form without having received an individual quota.
Any person whereof the authorisation has been withdrawn shall not have the right to apply for a new authorisation within two years after the date of the order referred to in Paragraph (4).
(4) The grant, refusal to grant an authorisation or withdrawal of an authorisation as granted shall be effected by a written order of the Minister of Finance.
(5) Any refusal to grant an authorisation and any withdrawal of an authorisation shall be appealable according to the procedure established by the Administrative Procedure Code.

(6) (Supplemented, SG No. 66/2023, effective 1.01.2024) The procedure for the conduct of a competitive procedure, for the grant and withdrawal of an authorisation, the terms and a procedure for the printing of the food vouchers in paper form, the number of vouchers issued in paper form, the terms for organisation 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, supplemented, SG No. 66/2023, effective 1.01.2024) The total annual quota for provision of food vouchers in paper form 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, supplemented, SG No. 66/2023, effective 1.01.2024) The operator shall use the amounts received from employers for the food vouchers in paper form 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 in paper form claimed by employers, in the cases of withdrawal of the authorisation 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 Food Vouchers on an Electronic Medium

Article 209a. (New, SG No. 66/2023, effective 1.01.2024) (1) No tax shall be levied on any expenses on fringe benefits referred to in Article 204(1)(2)(c) herein not exceeding the amount of BGN 200 per month, provided in the form of food vouchers on an electronic medium to each hired person, where the following conditions are simultaneously fulfilled:
1. 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 preceding three months;
2. the taxable person does not incur any coercively enforceable public obligations by the end of the month during which the expenses on vouchers are charged; for the purposes of the foregoing sentence, obligations are not incurred where the obligations are not shown in the tax and social-insurance account or are not shown as presented for coercive enforcement at the National Revenue Agency by the end of the month during which the expenses are charged;
3. the vouchers are provided to the taxable person by a person which has obtained authorisation to carry on operator business from the Minister of Finance;
(2) The right to carry on operator business shall be limited to a person which has obtained authorisation 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 authorisation;
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 authorisation;
5. is represented by persons who:
(a) 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 preceding the date of the judgment on institution of bankruptcy proceedings, if any creditors have been left unsatisfied;
6. possesses a food voucher on an electronic medium which satisfies the following requirements:
(a) has a unique identification number that allows to individualise and track the electronic medium;
(b) states the business name of the operator and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;

(c) states the business name of the employer and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(d) contains text prohibiting the withdrawal of cash by means of the food voucher on an electronic medium;
(e) contains text prohibiting the purchase of wine, spirit drinks, beer and tobacco products by means of the food voucher on an electronic medium;
(f) states the validity period of the electronic medium, if applicable;
(g) contains the text "food voucher under Article 209a of the Corporate Income Tax Act" and "valid only in Bulgaria".
7. has proved that it has the technical capacity to issue food vouchers on electronic media, including that food vouchers on electronic media:
(a) support traceability of transactions;
(b) support a functionality to identify the business name of the operator and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(c) support a functionality to identify the business name of the employer and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(d) support a technical restriction on withdrawal of cash by means of the food voucher on an electronic medium;
(e) support a functionality for checking the unique number of the individual quota received by the operator, under which the food voucher on an electronic medium was provided, as well as the date of issuance of the order for the individual quota received by the operator, under which the food voucher was provided;
(f) use publicly documented means of technical protection;
(g) support a technical restriction on their use outside the territory of the Republic of Bulgaria;
(h) conform to other technical requirements established by the ordinance referred to in paragraph 6.
(3) (Supplemented, SG No. 106/2023, effective 1.01.2024) The authorisation shall be issued by the Minister for Finance after coordination with the Bulgarian National Bank regarding compliance with the requirements set out in the Payment Services and Payment Systems Act. 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 paragraph 2(8) - (13);
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 on an electronic medium within an individual quota received for the provision of food vouchers on an electronic medium, which are of a nominal value exceeding said individual quota, or has provided food vouchers on an electronic medium without having received an individual quota.
Any person whereof the authorisation has been withdrawn shall not have the right to apply for a new authorisation within two years after the date of the order referred to in Paragraph (4).
(4) (Supplemented, SG No. 106/2023, effective 1.01.2024) The grant, refusal to grant an authorisation or withdrawal of an authorisation as granted shall be effected by a written order of the Minister of Finance. The grant or refusal order under sentence one shall be issued within 30 working days from the submission of the application according to the procedure established by the ordinance referred to in Paragraph (6).
(5) Any refusal to grant an authorisation and any withdrawal of an authorisation shall be appealable according to the procedure established by the Administrative Procedure Code.

(6) The procedure for the granting and withdrawal of an authorisation, the terms and a procedure for the issuing of food vouchers on an electronic medium, the features of the vouchers issued, the terms for organisation and control of the conduct of operator business shall be established by an ordinance of the Minister for Labour and Social Policy and the Minister for Finance coordinated with the Bulgarian National Bank.
(7) The total annual quota for provision of food vouchers on an electronic medium shall be endorsed by the State Budget of the Republic of Bulgaria Act for the relevant year.
(8) The operator shall use the amounts received from employers for the food vouchers provided thereto solely to settle their liabilities to suppliers which have concluded a contract for provision of services with the operator, or to refund to the taxable person of the nominal value of the food vouchers claimed by employers, in the cases of withdrawal of the authorisation of the operator.
(9) Where:
1. the payment transactions carried out by means of food vouchers on electronic media are settled by a system operator authorised by the Bulgarian National Bank of a settlement finality system processing card-related payment transactions, the voucher operator, when not an authorised payment service provider, shall conclude an agreement with a bank, a payment institution or an electronic money institution authorised by the Bulgarian National Bank, or with a branch of a bank, a payment institution or an electronic money institution operating on the territory of the Republic of Bulgaria;
2. the settlement is effected according to the rules of international card schemes processing card-related payment transactions, the voucher operator shall prove this to the Minister for Finance by presenting an agreement;
3. the operator of food vouchers pays directly to the suppliers with which it has concluded an agreement, this shall be proved by means of a declaration from the operator to the Minister for Finance and providing information to the National Revenue Agency.
(10) The operator shall conclude service agreements for food vouchers on electronic media only with suppliers that are registered under the Value Added Tax Act and are identified at the payment scheme level with a unique identifier which enables food voucher operators to authorise food voucher transactions only for those suppliers that have a valid service agreement with an operator.
(11) In the cases covered by paragraph 9, the system operator may not impose additional restrictions on food voucher operators beyond those provided for in this Act and the instruments on its implementation, and may not apply different price conditions for different food voucher operators and merchants.
(12) Food voucher operators may not impose additional conditions for concluding an agreement with an employer beyond those provided for in this Act and the instruments on its implementation.
(13) Employees shall not pay commissions and fees for the food voucher on an electronic medium and for the payments made with it.
(14) Manufacturers or distributors of terminals and devices used for payment services may not impose restrictions on the use of food vouchers on an electronic medium in the cases covered by paragraph 9.
(15) The Minister for Finance may once a year, by 1 March, determine the maximum amount of the commission for participants in the issuance and use of food vouchers on electronic media. The maximum amounts thus determined shall take effect from the following calendar year.

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), 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 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, amended, SG No. 107/2020, effective 1.01.2021) Where the condition for exemption from tax under Article 208 herein is 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.

Tax Base for Tax on Fringe Benefit Expenses on Food Vouchers in paper form and on an electronic medium
(Title supplemented, SG No. 66/2023, effective 1.01.2024)

Article 214. (1) (New, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 75/2016, effective 1.01.2016, amended, SG No. 66/2023, effective 1.01.2024) The tax base for assessment of the tax on expenses referred to in Item 2 of Article 204 (1), letters (b) and (c) 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, amended, SG No. 107/2020, effective 1.01.2021, SG No. 104/2022, effective 1.01.2023, SG No. 66/2023, effective 1.01.2024) The tax base for assessment of the tax on expenses for the calendar month referred to in Item 2 of Article 204 (1), letters (b) and (c) herein shall be the excess of the said expenses over BGN 200 per month per hired person.
(3) (Renumbered from Paragraph (2), supplemented, SG No. 94/2012, effective 1.01.2013, SG No. 66/2023, effective 1.01.2024) Where the conditions for exemptions from tax under Article 209 and Article 209a 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 Rates

Article 216. (Supplemented, SG No. 75/2016, effective 1.01.2016, amended, SG No. 17/2022, effective 1.01.2022) (1) The tax rate for the expenses referred to in Article 204 (1), Items 1 and 2 herein shall be 10 per cent.
(2) The tax rate for the expenses referred to in Article 204 (1), Item 4 herein shall be 3 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) (*) (Previous text of Article 217, SG No. 110/2007, effective 1.01.2007, amended, SG No. 94/2012, effective 1.01.2013, SG No. 104/2020, effective 1.01.2021) The tax on expenses shall be remitted not later than the 30th day of June of the next succeeding year.

(*) *Editor's Note.* According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

---

(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 formed taxable persons shall declare the choice thereof under Paragraph (3) for the year of formation 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 not later than 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 corporate 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 corporate 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) (Amended, SG No. 104/2020, effective 1.01.2021) Where the date of expungement/resolution precedes the 30th day of June 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 30th day of June.

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 obliged 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, repealed, SG No. 69/2020).
(5) (*) (New, SG No. 15/2013, effective 1.01.2013, amended, SG No. 104/2020, effective 1.01.2021) The taxable persons under this Chapter shall submit an annual activity report during the period from the 1st day of March until the 30th day of June of the next succeeding year to the National Revenue Agency territorial directorate exercising competence over the place of registration of the taxable person.

(*) *Editor's Note.* According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

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 Organised 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 organisers 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 organiser 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 organiser not later than 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 not later than 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.
(4) (New, SG No. 72/2024, effective 6.07.2024) Where the organiser of the game of chance is a subsidiary or a branch of a third-country enterprise under Paragraph (1) or (4) of Article 52b of the Accountancy Act, the first return under Article 1 for the relevant year shall state the net turnover in the country and in the European Union for the last reporting period of the third-country enterprise.

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 not later than the 10th day of the month next succeeding the month of conduct of the games.
(2) (Amended, SG No. 69/2020) The operator of the telephone or another electronic communication service shall be obliged to satisfy itself that the organiser of the game of chance has obtained licence from the executive director of the National Revenue Agency, 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.

Article 241. (Amended, SG No. 94/2012, effective 1.01.2013, repealed, SG No. 69/2020).

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 Provisions

Article 242. (Amended, SG No. 94/2012, effective 1.01.2013) (1) (Previous text of 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 corporate 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 organisers 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, SG No. 108/2023, effective 1.01.2024) in respect of a gambling machine at a gambling hall and a gambling casino, respectively, each player’s place at such a machine: BGN 800 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 organise 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 organise 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.
(5) (New, SG No. 104/2020, effective 1.01.2021) Paragraph (4) shall not apply in the cases of suspension of the activity in compliance with an administrative act issued according to the procedure established by Section V of Chapter Two of the Health Act. In such cases, the tax referred to in Items 1 to 3 of Paragraph (1) shall be due in proportion to the days of the quarter during which the activity was not suspended.

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 not later than 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.
(4) (New, SG No. 72/2024, effective 6.07.2024) Where the taxable person is a subsidiary or a branch under Paragraph (1) or (4) of Article 52b of the Accountancy Act, the first return under Paragraph 1 for the relevant year shall state the net turnover in the country and in the European Union for the last reporting period of the third-country enterprise.

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 tax base 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 tax rate for income shall be 3 per cent.
(2) The tax rate for the income accruing to 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) (*) (Previous text of Article 252, SG No. 95/2009, effective 1.01.2010, amended, SG No. 104/2020, effective 1.01.2021) 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 during the period from the 1st day of March until the 30th day of June of the next succeeding year.

(*) *Editor's Note.* According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

---

(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, SG No. 104/2020, effective 1.01.2021) The tax on income shall be remitted not later than the 30th day of June of the next succeeding year.

(*) Editor’s Note. According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

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) (Previous text of 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 that is 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 fractionabove 1000 tons;
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 1.00 for each 100 tons or fraction above 25,000 tons.
(2) (Amended, SG No. 94/2012, effective 1.01.2013) The taxable amounttax base per ship for the calendar year shall be determined by multiplying the taxable amounttax base 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 amounttax base for assessment of the tax under this Chapter shall be the sum total of the taxable amountstax bases determined for eachall 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 not later than the 31st day of December of the receding year.
(2) (*) (Amended, SG No. 104/2020, effective 1.01.2021) The taxable persons shall submit an annual tax return in a standard form on the tax due under this Chapter during the period from the 1st day of March until the 30th day of June of the next succeeding year.

(*) *Editor's Note.* According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

---

(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.
(5) (New, SG No. 72/2024, effective 6.07.2024) Where the taxable person is a subsidiary or a branch of a third-country enterprise under Paragraph (1) or (4) of Article 52b of the Accountancy Act, the return under Paragraph 2 shall state the net turnover in the country and in the European Union for the last reporting period of the third-country enterprise.

Tax Remittance

Article 260. (*) (Amended, SG No. 94/2012, effective 1.01.2013, SG No. 104/2020, effective 1.01.2021) The taxable persons shall remit the tax due under this Chapter not later than the 30th day of June of the next succeeding year.

(*) Editor’s Note. According to § 25 (1) to the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 (SG No. 28/2020): "In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020."

PART FIVE A
(New, SG No. 106/2023, effective 1.01.2024)
LEVY OF TOP-UP TAX AND OF DOMESTIC TOP-UP TAX ON MULTINATIONAL ENTERPRISE GROUPS AND LARGE-SCALE DOMESTIC ENTERPRISE GROUPS

Chapter Thirty-Four "a"
(New, SG No. 106/2023, effective 1.01.2024)
GENERAL PROVISIONS

Scope of Taxation

Article 260a. (New, SG No. 106/2023, effective 1.01.2024) (1) This Part regulates a minimum effective taxation of multinational enterprise groups and of large-scale domestic enterprise groups.
(2) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) The minimum effective taxation shall apply to constituent entities located in the country that, during the tax period, are members of a multinational enterprise group or of a large-scale domestic enterprise group which has an annual revenue of EUR 750,000,000, determined according to the official exchange rate of the lev against the euro, in the consolidated financial statements of the ultimate parent entity of the said constituent entity, including the revenue of the

excluded entities referred to in Paragraph (4), in at least two of the four tax periods preceding the current tax period.
(3) Where one or more of the four fiscal years referred to in Paragraph (2) is longer or shorter than 12 months, the revenue threshold referred to in Paragraph (2) shall be adjusted proportionally for the number of months in the said tax period.
(4) This Part shall not apply to any excluded entities. The following shall be excluded entities under sentence one:
1. a governmental entity, an international organisation, a non-profit organisation, a pension fund, an investment fund that is an ultimate parent entity, as well as a real estate investment vehicle that is an ultimate parent entity;
2. an entity where at least 95 per cent of the value of the entity is owned, directly or indirectly, by one or more entities referred to in Item 1, other than pension services entities, and that:
(a) operates exclusively, or almost exclusively, to hold assets or invest funds for the benefit of any entities referred to in Item 1, or
(b) exclusively carries out activities ancillary to those performed by any entities referred to in Item 1;
3. an entity where at least 85 per cent of the value of the entity is owned, directly or through one or several excluded entities, by one or more entities referred to in Item 1, other than pension services entities, provided that substantially all of the income of the said entity is derived from dividends or equity gains or losses that are ignored upon determination of the qualifying income or loss according to the procedure established by Items 2 and 3 of Article 260m (2) herein.
(5) The filing constituent entity may make an election according to Article 260aa24 (1) herein not to treat any entities referred to in Items 2 and 3 of Paragraph (4) as excluded entities. The election referred to in sentence one shall be valid for a period of five years, starting from the year in which the said election is made. The election shall be renewed automatically unless the filing constituent entity revokes the said election at the end of the five-year period. A revocation of the election shall be valid for a period of five years, starting from the end of the year in which the said revocation is made.

Tax Period

Article 260b. (New, SG No. 106/2023, effective 1.01.2024) For the purposes of this Act, tax period shall be the period with respect to which the ultimate parent entity of a multinational enterprise group or of a large-scale domestic enterprise group prepares a consolidated financial statement or the calendar year, where the ultimate parent entity does not prepare a consolidated financial statement.

Tax Rate

Article 260c. (New, SG No. 106/2023, effective 1.01.2024) The top-up tax rate shall be the positive difference between 15 per cent and the jurisdictional effective tax rate of the multinational enterprise group or the large-scale domestic enterprise group.

Types of Tax under this Part

Article 260d. (New, SG No. 106/2023, effective 1.01.2024) Any taxable person referred to in Article 260f and Article 260aa25 shall owe:
1. a top-up tax, and/or
2. a domestic top-up tax.

Location of Constituent Entity

Article 260e. (New, SG No. 106/2023, effective 1.01.2024) (1) An entity other than a flow-through entity shall be deemed to be located in the jurisdiction where the said entity is resident for tax purposes based on the place of management thereof, the place of creation thereof or similar criteria. Where it is not possible to determine the jurisdiction in which the said entity is located

based on sentence one, the said entity shall be deemed to be located in the jurisdiction where the said entity was created.
(2) A flow-through entity shall be considered to be stateless. Where the entity is an ultimate parent entity of a multinational enterprise group or of a large-scale domestic enterprise group or owes an Income Inclusion Rule top-up tax according to Articles 260f herein, the said entity shall be deemed to be located in the jurisdiction where the said entity was created.
(3) A permanent establishment:
1. referred to in Item 131 (a) of § 1 of the Supplementary Provisions herein shall be determined to be located in the jurisdiction where the said establishment is treated as a permanent establishment and is liable to tax under a convention for the avoidance of double taxation;
2. referred to in Item 131 (b) of § 1 of the Supplementary Provisions herein shall be determined to be located in the jurisdiction where the said establishment is subject to taxation on the profit derived from the business thereof in the said jurisdiction;
3. referred to in Item 131 (c) of § 1 of the Supplementary Provisions herein shall be determined to be located in the jurisdiction where the said establishment is situated;
4. referred to in Item 131 (d) of § 1 of the Supplementary Provisions herein shall be considered to be stateless.
(4) Where a constituent entity is located in two jurisdictions wherebetween there is an effective convention for the avoidance of double taxation, the constituent entity shall be deemed to be located in the jurisdiction where the said entity is considered to be resident for tax purposes under the said convention for the avoidance of double taxation. Where, according to the effective convention for the avoidance of double taxation:
1. where a mutual agreement between the parties is required for determining the residence for tax purposes of the constituent entity and no such agreement is reached, the location of the constituent entity shall be determined according to Paragraphs (5) and (6);
2. where no provisions are made for relief for double taxation due to the fact that the constituent entity is resident for tax purposes in both contracting parties to the convention, the location of the constituent entity shall be determined according to Paragraphs (5) and (6).
(5) Where a constituent entity is located in two jurisdictions wherebetween there is no convention for the avoidance of double taxation, the constituent entity shall be deemed to be located in the jurisdiction which charged the higher amount of covered taxes for the tax period. When determining the amount of covered taxes referred to in sentence one, the tax paid or due according to the procedure of a controlled foreign company tax regime shall not be taken into consideration.
(6) Where the amount of covered taxes under Paragraph (5) due in the two jurisdictions is the same or zero, the constituent entity shall be deemed to be located in the jurisdiction where the higher amount of substance-based income exclusion has been determined for the said entity according to the procedure established by Article 260y herein. Where the amount of the substance-based income exclusion in the two jurisdictions is the same or zero, the constituent entity shall be considered to be stateless, unless the said entity is an ultimate parent entity, in which case the said entity shall be deemed to be located in the jurisdiction where the said entity was created.
(7) Where, according to Paragraphs (4) to (6), a parent entity is located in a jurisdiction where the said entity is not subject to top-up tax under the qualified Income Inclusion Rule, the said entity shall be deemed to be subject to top-up tax under the qualified Income Inclusion Rule of the other jurisdiction, unless this is prohibited by an effective convention for the avoidance of double taxation.
(8) Where a constituent entity changes the location thereof during a tax period, the said entity shall be deemed to be located in the jurisdiction where the said entity was deemed to be located according to Paragraphs (1) to (7) as at the beginning of the said tax period.

Chapter Thirty-Four "b"
(New, SG No. 106/2023, effective 1.01.2024)
LEVY OF TOP-UP TAX

Section I
(New, SG No. 106/2023, effective 1.01.2024)
Levy of Top-up Tax under Income Inclusion Rule

Taxable Persons

Article 260f. (New, SG No. 106/2023, effective 1.01.2024) (1) An ultimate parent entity located in the country that is a constituent entity of a multinational enterprise group or of a large-scale domestic enterprise group shall owe an Income Inclusion Rule top-up tax for the tax period in respect of:
1. the low-taxed constituent entities thereof that are located in another jurisdiction or are stateless for the tax period;
2. itself, if the said entity is low-taxed, as well as of the low-taxed constituent entities thereof that are located in the country for the tax period.
(2) An intermediate parent entity located in the country, whereof the ultimate parent entity is located in a jurisdiction outside the European Union, shall owe an Income Inclusion Rule top-up tax for the tax period in respect of:
1. the low-taxed constituent entities thereof that are located in another jurisdiction or are stateless for the tax period;
2. itself, if the said entity is low-taxed, as well as of the low-taxed constituent entities thereof that are located in the country for the tax period.
(3) Paragraph (2) shall not apply where:
1. the ultimate parent entity is subject to top-up tax under the qualified Income Inclusion Rule for the same tax period, or
2. another intermediate parent entity is subject to top-up tax under the qualified Income Inclusion Rule for the same tax period in the jurisdiction where the said entity is located, and the said entity owns, directly or indirectly, a controlling interest in the intermediate parent entity located in the country.
(4) An intermediate parent entity located in the country whereof the ultimate parent entity that is an excluded entity shall owe an Income Inclusion Rule top-up tax for the tax period in respect of:
1. the low-taxed constituent entities thereof that are located in another jurisdiction or are stateless for the tax period;
2. itself, if the said entity is low-taxed, as well as of the low-taxed constituent entities thereof that are located in the country for the tax period.
(5) Paragraph (4) shall not apply where another intermediate parent entity is subject to top-up tax under the qualified Income Inclusion Rule for the same tax period in the jurisdiction where the said entity is located, and the said entity owns, directly or indirectly, a controlling interest in the intermediate parent entity located in the country.
(6) A partially-owned parent entity located in the country shall owe an Income Inclusion Rule top-up tax for the tax period in respect of:
1. the low-taxed constituent entities thereof that are located in another jurisdiction or are stateless for the tax period;
2. itself, if the said entity is low-taxed, as well as of the low-taxed constituent entities thereof that are located in the country for the tax period.

(7) Paragraph (6) shall not apply where another partially-owned parent entity is subject to top-up tax under the qualified Income Inclusion Rule for the same tax period in the jurisdiction where the said entity is located, and the said entity owns, directly or indirectly, a controlling interest in the partially-owned parent entity located in the country.

Allocation of Top-up Tax

Article 260g. (New, SG No. 106/2023, effective 1.01.2024) (1) The top-up tax due by a parent entity in the country according to Item 1 of Article 260f (1), Item 1 of Article 260f (2), Item 1 of Article 260f (4) and Item 1 of Article 260f (6) herein in respect of a low-taxed constituent entity for the tax period that is located in another jurisdiction or is stateless (Income Inclusion Rule top-up tax) shall be determined using the following formula:

$IIR\ TUT = TUT_{CE} \times S$

where:

IIR TUT shall be the Income Inclusion Rule top-up tax due by a low-taxed constituent entity;

TUT_{CE} shall be the top-up tax of a low-taxed constituent entity determined according to Article 260x herein;

S shall be the share of the parent entity in the top-up tax of a low-taxed constituent entity.

(2) The share of the parent entity in the top-up tax of a low-taxed constituent entity shall be arrived at using the following formula:

$S = QI_P / QI_E$

where:

S shall be the share of the parent entity in the top-up tax of a low-taxed constituent entity;

QI_P shall be the qualifying income of the low-taxed constituent entity reduced by the portion of the qualifying
income attributable to ownership interests held by other entities;

QI_E shall be all of the qualifying income of the low-taxed constituent entity.

(3) The portion of qualifying income attributable to ownership interests in a low-taxed constituent entity held by other entities shall be the portion that would have been treated as attributable to such entities according to the acceptable financial accounting standards used as a basis for the preparation of the consolidated financial statement of the ultimate parent entity, provided that the positive net accounting financial result of the low-taxed constituent entity is equal to the qualifying income thereof and provided that:

1. the parent entity had prepared a consolidated financial statement on the basis of the same accounting standards;

2. the parent entity owns a controlling interest in the low-taxed constituent entity;

3. all of the qualifying income of the low-taxed constituent entity is attributable to transactions with persons that are not group entities;

4. all ownership interests not directly or indirectly held by the parent entity are held by persons that are not group entities.

(4) In addition to the Income Inclusion Rule top-up tax referred to in Paragraph (1), the parent entity shall furthermore owe an Income Inclusion Rule top-up tax in the country according to Item 2 of Article 260f (1), Item 2 of Article 260f (2), Item 2 of Article 260f (4) and Item 2 of Article 260f (6) herein:

1. in respect of itself: the full amount of top-up tax determined according to Article 260x herein;

2. in respect of the low-taxed constituent entities thereof that are located in the country, determined using the formula under Paragraph (1).

Offset of Top-up Tax Due by Entity Located in Country

Article 260h. (New, SG No. 106/2023, effective 1.01.2024) Where a parent entity located in the country holds an ownership interest in a low-taxed constituent entity indirectly through an intermediate parent entity or a partially-owned parent entity that is subject to top-up tax under the qualified Income Inclusion Rule for the tax period, the top-up tax due according to Article 260f

herein shall be reduced by the portion of the share of the first-mentioned parent entity in the top-up tax which is due by the intermediate parent entity or the partially-owned parent entity.

Section II
(New, SG No. 106/2023, effective 1.01.2024)
Levy of Top-up Tax under Undertaxed Profit Rule

Application of Top-up Tax under Undertaxed Profit Rule across Multinational Enterprise Group

Article 260i. (New, SG No. 106/2023, effective 1.01.2024) (1) (Effective 1.01.2025 - SG No. 106/2023) Where the ultimate parent entity of a multinational enterprise group is an excluded entity or is located in a jurisdiction where the said entity does not owe a top-up tax under the qualified Income Inclusion Rule, the constituent entities of the multinational enterprise group located in the country shall owe a top-up tax determined according to the procedure established by Article 260k herein (Undertaxed Profit Rule top-up tax) for the tax period.
(2) Where the ultimate parent entity of a multinational enterprise group is located in a Member State of the European Union that has elected not to apply top-up tax under the Income Inclusion Rule and under the Undertaxed Profit Rule for a period of six consecutive tax periods beginning from the 31st day of December 2023, the constituent entities of the said multinational enterprise group that are located in the country shall owe Undertaxed Profit Rule top-up tax determined according to the procedure established by Article 260k herein for the tax period.
(3) (Effective 1.01.2025 - SG No. 106/2023) The Undertaxed Profit Rule top-up tax referred to in Paragraphs (1) and (2) shall be allocated equally among the constituent entities of the multinational enterprise group that are located in the country and shall be owed by the said entities.
(4) (Effective 1.01.2025 - SG No. 106/2023) This Article shall not apply to constituent entities that are investment entities.

Application of Top-up Tax under Undertaxed Profit Rule in Jurisdiction of Ultimate Parent Undertaking

Article 260j. (New, SG No. 106/2023, effective 1.01.2025) (1) Where the ultimate parent entity of a multinational enterprise group is located in a low-tax jurisdiction which is not a Member State of the European Union, the constituent entities of the multinational enterprise group that are located in the country shall owe Undertaxed Profit Rule top-up tax for the tax period.
(2) Paragraph (1) shall not apply where the he ultimate parent entity of a multinational enterprise group is located in a low-tax jurisdiction and is subject to top-up tax under the qualified Income Inclusion Rule in respect of itself and in respect of the constituent entities thereof that are located in the same jurisdiction.
(3) The Undertaxed Profit Rule top-up tax referred to in Paragraph (1) shall be allocated equally among the constituent entities of the multinational enterprise group that are located in the country and shall be owed by the said entities.
(4) This Article shall not apply to constituent entities that are investment entities.

Determining Undertaxed Profit Rule Top-up Tax

Article 260k. (New, SG No. 106/2023, effective 1.01.2025) (1) The amount of Undertaxed Profit Rule top-up tax due by the constituent entities of a multinational enterprise group that are located in the country shall be determined using the following formula:
UTPR TUT = TUTPR TUT x PC
where:
UTPR TUT shall be the amount of Undertaxed Profit Rule top-up tax that is due in the country;
TUTPR TUT shall be the total amount of Undertaxed Profit Rule top-up tax as determined according to the procedure established by Paragraph (2);

PC shall be the percentage for the country as arrived at according to the procedure established by Paragraph (5).
(2) The total amount of Undertaxed Profit Rule top-up tax for a tax period shall equal the sum of the top-up tax determined according to the procedure established by Article 260x herein for each low-taxed constituent entity of the multinational enterprise group and adjusted according to the procedure established by Paragraphs (3) and (4).
(3) The Undertaxed Profit Rule top-up tax of a low-taxed constituent entity shall be shall be deemed to be zero where, for the tax period, all of the ownership interests of the ultimate parent entity in such low-taxed constituent entity are held directly or indirectly by one or more parent entities that are subject to top-up tax under the qualified Income Inclusion Rule in respect of the said low-taxed constituent entity for the said tax period.
(4) Where Paragraph (3) does not apply, the Undertaxed Profit Rule top-up tax of a low-taxed constituent entity shall be reduced by the top-up tax due by a parent entity in respect of the said constituent entity under the qualified Income Inclusion Rule.
(5) The percentage for the country shall be arrived at using the following formula:

$$0.5 \times \frac{\text{number of employees in the country}}{\text{total number of employees in all jurisdictions}} + 0.5 \times \frac{\text{total value of tangible assets in the country}}{\text{total value of tangible assets in all jurisdictions}}$$

where:
1. the number of employees in the country shall be the total number of employees of all the constituent entities of the multinational enterprise group located in the country;
2. the number of employees in all jurisdictions shall be the total number of employees of all the constituent entities of the multinational enterprise group located in jurisdictions having top-up tax under a qualified Undertaxed Profit Rule that is in force for the tax period;
3. the total value of tangible assets in the country shall be the sum of the net book value of the tangible assets of all the constituent entities of the multinational enterprise group that are located in the country;
4. the total value of the tangible assets in all jurisdictions shall be the sum of the net book value of the tangible assets of all the constituent entities of the multinational enterprise group located in jurisdictions having top-up tax under a qualified Undertaxed Profit Rule that is in force for the tax period.
(6) For the purposes of this Article, the number of employees shall be the number of employees employed on a full-time basis of all constituent entities located in the relevant jurisdiction, as well as the persons not associated with the constituent entity who are contracted by the constituent entity and participate in the ordinary activities thereof.
(7) For the purposes of this Article, tangible assets shall be the tangible assets of all constituent entities located in the relevant jurisdiction with the exception of cash or cash equivalent, intangible assets and financial assets.
(8) The employees whose staff costs are included in the determination of the tax financial result of a permanent establishment, as determined according to the procedure established by Article 260o (1) and (2) herein, shall be allocated to the jurisdiction wherein the permanent establishment is located.
(9) Tangible assets shown in the separate financial account of a permanent establishment in accordance with Article 260o (1) and (2) shall be treated as located in the jurisdiction wherein the permanent establishment is located.
(10) The employees and the tangible assets referred to in Paragraphs (8) and (9) shall not be included in the number of employees and the tangible assets of the jurisdiction of the main entity.

(11) The number of employees and the net book value of tangible assets of an investment entity shall not be taken into account when arriving at the percentage for the country according to the procedure established by Paragraph (5).
(12) The number of employees and the net book value of tangible assets of a flow-through entity shall not be taken into account when arriving at the percentage for the country according to the procedure established by Paragraph (5) except in the cases where the said employees and value are allocated to a permanent establishment or, in the absence of such establishment, to the constituent entities that are located in the jurisdiction where the flow-through entity was created.
(13) The percentage for the country for a multinational enterprise group shall be deemed to be zero for a tax period where part of the Undistributed Profits Rule top-up tax that the constituent entities of the multinational enterprise group in that jurisdiction owe for a previous tax period remains outstanding.
(14) The number of employees and the net book value of tangible assets of the constituent entities of a multinational enterprise group which is located in a jurisdiction with a percentage of zero for a tax period shall not be taken into account when arriving at the percentage for the country according to Paragraph (5).
(15) Where a Member State of the European Union has elected not to apply top-up tax under the Income Inclusion Rule and under the Undertaxed Profit Rule for a period of six consecutive tax periods beginning from the 31st day of December 2023 the percentage for the said Member State shall be deemed to be zero for each tax period for which the said election is in force.
(16) Paragraphs (13) and (14) shall not apply for a tax period where the percentages for all jurisdictions applying top-up tax under the qualified Undertaxed Profit Rule during the said tax period are equal to zero for the multinational enterprise group for the said tax period.

Chapter Thirty Four "c"
(New, SG No. 106/2023, effective 1.01.2024)
DETERMINATION OF QUALIFYING INCOME OR LOSS

Determination of Qualifying Income or Loss

Article 260l. (New, SG No. 106/2023, effective 1.01.2024) (1) The qualifying income or loss of a constituent entity shall be determined by adjusting the net accounting financial result of the said entity according to a procedure and in a manner set out in Articles 260m to 260p herein before any adjustments for eliminating intra-group transactions, as determined in accordance with acceptable or authorised accounting standards for the preparation of the consolidated financial statement of the group by the ultimate parent entity.
(2) Where it is impossible to determine the net accounting financial result of a constituent entity based on the accounting standards for the preparation of the consolidated financial statements of the group by the ultimate parent entity, the net accounting financial result of the said constituent entity may be determined based on other acceptable or authorised accounting standards if the following conditions are simultaneously fulfilled:
1. the financial statement of the constituent entity is prepared based on those other accounting standards;
2. the information in the financial statement is reliable;
3. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) permanent differences in excess of EUR 1,000,000, between the accounting for business transactions under those accounting standards and the accounting under the accounting standards used in the preparation of the consolidated financial statement of the group by the

ultimate parent entity, are adjusted by the business transactions being accounted for based on he accounting standards used in the preparation of the consolidated financial statement.
(3) Where an ultimate parent entity does not prepare a consolidated financial statement in accordance with an acceptable financial accounting standard within the meaning given by Item 124 (c) of § 1 of the Supplementary Provisions herein, the statement shall be adjusted so as not to result in a material competitive distortion.
(4) Where an ultimate parent entity does not prepare a consolidated financial statement within the meaning given by Item 124 (a), (b) and (c) of § 1 of the Supplementary Provisions herein, the consolidated financial statement within the meaning given by Item 124 (d) of § 1 of the Supplementary Provisions herein of the ultimate constituent entity shall be the statement that would have been prepared if the ultimate parent entity were required to prepare such a statement in accordance with an acceptable accounting standard or with an authorised accounting standard, provided that such a statement is adjusted so as not to result in a material competitive distortion.
(5) Where a qualified domestic top-up tax is applied by a particular jurisdiction, the next accounting financial result of the constituent entities located in the said jurisdiction may be determined in accordance with an acceptable accounting standard or an authorised accounting standard that is different from the accounting standard used in the preparation of the consolidated financial statement of the ultimate parent entity, provided that, when an authorised accounting standard is used, the net accounting financial result of the constituent entities is adjusted so as not to result in a material competitive distortion.
(6) Where the application of a specific principle or procedure under an accounting standard results in a material competitive distortion, the accounting for the business transactions account to the said principle or procedure shall be adjusted in conformity with the International Accounting Standards as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243/1 of 11 September 2002), hereinafter referred to as "Regulation (EC) No. 1606/2002".

Adjustment to Determine Qualifying Income or Loss

Article 260m. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "net taxes expense" shall be the net amount formed of:
(a) covered taxes accrued as an expense, as well as any current and deferred taxes included in the income tax expense, including covered taxes on income that are excluded when determining the qualifying income or loss;
(b) deferred tax assets formed as a result of a reported loss for the tax period;
(c) qualified domestic top-up taxes accrued as an expense;
(d) taxes accrued as an expense, formed as a result of the application of Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328/1 of 22 December 2022), hereinafter referred to as "Directive (EU) 2022/2523" or, as regards jurisdictions outside the European Union, formed as a result of the application of the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two);
(e) disqualified refundable imputation taxes accrued as an expense;
2. "excluded dividend" shall be a dividend or other distribution received or accrued in respect of an ownership interest, except a dividend or other distribution received or accrued in respect of:
(a) an ownership interest:
(aa) held by the group in an entity, that carries rights to less than 10 per cent of the profits, capital or reserves, or voting rights of that entity at the date of the distribution or disposal (hereinafter referred to as a "portfolio shareholding"), and
(bb) that is economically owned by the constituent entity that receives or accrues the dividend or other distribution for less than one year at the date of the distribution;

(b) an ownership interest in an investment entity that is subject to an election pursuant to Article 260aa15 herein;
3. "excluded equity gain or loss" shall be a profit or loss, included upon determination of the net accounting financial result of the constituent entity, which is formed of:
(a) gains and losses arising from a change in the fair value of an ownership interest, except for a portfolio shareholding;
(b) profits or losses in respect of an ownership interest that is reported under the equity method of accounting;
(c) gains and losses from the disposal of an ownership interest, except for the disposal of a portfolio shareholding;
4. "included revaluation method gain or loss" shall be a net gain or loss, increased or decreased by any associated covered taxes for the tax period, reported upon the application of an accounting in respect of all property, plant and equipment, whereupon the following conditions are simultaneously fulfilled:
(a) the carrying value of such property, plant and equipment is periodically adjusted to the fair value thereof;
(b) the changes are recorded in other comprehensive income;
(c) the changes recorded in other comprehensive income are not subsequently included in the profit or loss;
5. "asymmetric foreign currency gain or loss" shall be a foreign currency gain or loss of an entity whose accounting and tax functional currencies are different and that is:
(a) included upon the determination of the tax financial result of a constituent entity and that is attributable to fluctuations in the exchange rate between the accounting functional currency and the tax functional currency of the constituent entity;
(b) included upon the determination of the next accounting financial result of a constituent entity and that is attributable to fluctuations in the exchange rate between the accounting functional currency and the tax functional currency of the constituent entity;
(c) included upon the determination of the net accounting financial result of a constituent entity and that is attributable to fluctuations in the exchange rate between a third foreign currency and the accounting functional currency of the constituent entity;
(d) attributable to fluctuations in the exchange rate between a third foreign currency and the tax functional currency of the constituent entity, irrespective of whether a gain or loss attributable to such fluctuations is included in the tax financial result;
6. within the meaning given by Item 5:
(a) "tax functional currency" shall be the functional currency used to determine the tax financial result of the constituent entity that attracts a covered tax in the jurisdiction wherein the said entity is located;
(b) "accounting functional currency" shall be the functional currency used to determine the next accounting financial result of the constituent entity;
(c) "third foreign currency" shall be a currency that is not the tax functional currency or the accounting functional currency of the constituent entity;
7. "disallowed expense" shall be:
(a) an expense accrued by the constituent entity for illegal payments, including bribes and kickbacks;
(b) an expense accrued by the constituent entity for fines and penalties that equal or exceed EUR 50,000 or the equivalent thereof in the functional currency in which the net accounting financial result of the constituent entity is determined;
8. "prior period errors and changes in accounting policy" shall be a change in the balance of equity of a constituent entity at the beginning of a tax period that is attributable to:
(a) a correction of an error upon the determination of the net accounting financial result for a previous tax period that resulted in a change in the amount of income or expenses included upon the

determination of the qualifying income or loss for the said previous tax period, except to the extent such correction of an error resulted in a material decrease of a liability for covered taxes according to Article 260v herein;
(b) a change in accounting policy that resulted in a change in the amount of income or expenses included upon the determination of the qualifying income or loss;
9. "accrued pension expense" shall be the difference between the amount of pension liability expense included upon the determination of the next accounting financial result and the amounts paid to a pension fund for the tax period.
(2) Upon the determination of the qualifying income or loss, the net accounting financial result of the constituent entity shall be adjusted by the sum of:
1. the net taxes expenses;
2. the excluded dividends;
3. the excluded equity gains or losses;
4. the included revaluation method gains or losses;
5. the gains or losses from the disposal of assets and liabilities excluded according to Article 260aa7 herein;
6. the asymmetric foreign currency gains or losses;
7. the disallowed expenses;
8. the prior period errors and changes in accounting policy;
9. the accrued pension expenses.
(3) The filing constituent entity may make an elections in accordance with Article 260aa24 (1) herein, whereupon a constituent entity may substitute the amount of an accounting expense on stock-based compensation recognised for tax purposes for the amount of an accounting expense on stock-based compensation upon the determination of the tax financial result of the said entity in the jurisdiction wherein the said entity is located. The said election shall be mandatory for all constituent entities located in the jurisdiction concerned and shall apply for the tax period wherein the election is made and for all subsequent tax periods.
(4) Where the time limit for the exercise of options that are part of the stock-based compensation expires without such options being exercised, the amount of stock-based compensation wherewith the net accounting financial result of the constituent entity has been debited during the period for the exercise of the option upon determination of the qualifying income or loss of the said entity shall be credited to the net accounting financial result upon determination of the qualifying income or loss of the said entity in the tax period wherein the time limit for the exercise of the options has expired.
(5) Where part of the amount of stock-based compensation accounting cost or expense has been accounted for in tax periods prior to the period wherein the election under Paragraph (3) is made, upon determination of the qualifying income or loss in the tax period of the election the net accounting financial result shall be adjusted by the difference between the amount of such cost or expense as accounted for in those previous tax periods and the total amount of such cost or expense that would have been accounted for in the said periods if the election under Paragraph (3) had been made therein.
(6) In the year wherein the election under Paragraph (3) is revoked, the amount whereby the unpaid stock-based compensation cost or expense deducted pursuant to the election under Paragraph (3) exceeds the accounting expense shall be included upon determination of the qualifying income or loss of the constituent entity.
(7) Where the effect of any transaction between constituent entities located in different jurisdictions is accounted for in a different in the accounting financial result of the said entities or the transaction has been concluded on terms other than the arm’s length principle, the effect of any such transaction shall be adjusted so as to be accounted for in the same amount by the constituent entities and to be consistent with the arm’s length principle.

(8) Where a loss from a sale or other transfer of an asset between two constituent entities located in the same jurisdiction is included upon determination of the qualifying income or loss of the said entities on terms other than the arm's length principle, the said loss shall be recalculated based on the arm's length principle.
(9) Qualified refundable tax credits shall be treated as income upon the determination of the qualifying income or loss of a constituent entity. Non-qualified refundable tax credits shall not be treated as income upon the determination of the qualifying income or loss of a constituent entity.
(10) The filing constituent entity may make an election in accordance with Article 260aa24 (1) herein, whereupon the gains and losses which result from a revaluation or impairment of assets and liabilities in the consolidated financial statement may be recalculated for the purposes of determining the qualifying income or loss on the basis of the realisation principle. Where sentence one is applied, the gains or losses which result from a revaluation or impairment of assets and liabilities shall be ignored upon the calculation of the qualifying income or loss of a constituent entity. The election under sentence one shall be mandatory for all constituent entities located in the jurisdiction to which the said election is made, unless the filing constituent entity limits this election to the tangible assets of the constituent entities or to investment entities.
(11) For the purposes of determining the gains and losses under Paragraph (10), the carrying value of assets and liabilities shall be the carrying value determined on the date of the initial recognition of the asset or the liability or on the first day of the tax period wherein the election is made, whichever date is the latest.
(12) In the tax year wherein the election under Paragraph (10) is revoked, the difference between the fair value of the asset or liability and the carrying value of the asset or liability on the first day of the tax period wherein the said election is revoked shall be included upon determination of the qualifying income or loss of the constituent entities:
1. by being added, where the fair value exceeds the carrying value;
2. by being deducted, where the carrying value exceeds the fair value.
(13) The filing constituent entity may make an election in accordance with Article 260aa24 (2) herein, whereupon the qualifying income or loss of a constituent entity located in a jurisdiction arising from the disposal of immovable property located in the same jurisdiction by the same constituent entity to persons other than a member of the group for a tax period is adjusted as follows:
1. the net gain from the disposal of immovable property located in that jurisdiction in the tax period wherein the election is made shall be offset in the same tax period and in the four tax previous tax periods, hereinafter referred to as "the five-year period", against any net loss of a constituent entity located in the same jurisdiction arising from any such disposal;
2. the net gain arising during the tax period wherein the election is made shall be offset first against the net loss arising during the earliest tax period of the five-year period, and any residual amount [of the net gain] that has not been offset shall be offset successively during the subsequent four tax periods.
(14) Where any residual amount [of the net gain] that has not been offset remains after applying Paragraph (13), when determining the qualifying income or loss the said residual amount shall be spread into five equal portions for each tax period of the five-year period, with the portion for each tax period being allocated among all constituent entities located in that jurisdiction that have made a net gain from the disposal of immovable property under the terms established by Paragraph (13) in the tax period wherein the election is made, proportionate to the amount of the net gain of each of the said entities divided by total amount of the net gain of all entities.
(15) Where any residual amount [of the net gain] that has not been offset remains after applying Paragraph (13) and no constituent entity in that jurisdiction has made a net gain from the disposal of immovable property under the terms established by Paragraph (13) in the tax period wherein the election is made, the said residual amount shall be spread evenly for each tax period of the five-year period and shall be allocated equally among all constituent entities in that jurisdiction.

(16) Article 260z (1) herein shall apply with regard to the adjustments of the qualifying income or loss of a constituent entity according to Paragraphs (13) to (15) in a tax period preceding the tax period wherein the election is made.
(17) Any expense incurred in relation to a financing arrangement whereby one or more constituent entities provides credit to one or more other constituent entities of the same group or otherwise makes an investment in any such entities, hereinafter referred to as "intra-group financing arrangement", shall not be included when determining the qualifying income or loss of a constituent entity where the following conditions are fulfilled:
1. the constituent entity is located in a low-tax jurisdiction or in a jurisdiction that would have been low-taxed in case the expense had not been accrued by the constituent entity;
2. it can be expected that, over the duration of the intra-group financing arrangement, the expenses that are included when determining the qualifying income or loss of that constituent entity will be increasing without the tax financial result of the constituent entity providing the credit increasing accordingly;
3. the constituent entity providing the credit is not located in a low-tax jurisdiction or in a jurisdiction that would not have been low-taxed in case the income related to the expense had been accrued by the said counterparty.
(18) An ultimate parent entity may make an election in accordance with Article 260aa24 (1) herein with regard to constituent entities of the group that are located in the same jurisdiction which are part of a tax consolidation group, whereupon, when determining a net qualifying income or loss of the said constituent entities, the said parent entity shall eliminate income, expense, gains and losses accruing from transactions between the said constituent entities in the manner in which the consolidated financial statement of the group is prepared. In the tax period wherein the election is made or the election is revoked, adjustments shall be made when determining the qualifying income or loss so that incomes, expenses or other items are omitted or are not taken into consideration more than once as a result of such election or revocation.
(19) When determining the qualifying income or loss of an insurance company, any income constituting a tax paid by the insurance company in respect of returns to the policyholders that is charged to policyholders shall be excluded. When determining the qualifying income or loss of an insurance company, any returns to policyholders that are not included in the net accounting financial result of the said company shall be included to the extent that the corresponding increase or decrease in liability to the policyholders is included in the said result.
(20) Amounts that decrease the equity of a constituent entity as a result of a profit distribution made or due in respect of a financial instrument issued pursuant to regulatory requirements (additional tier one capital) shall be included as an expense when determining the qualifying income or loss of the said entity.
(21) Amounts that increase the equity of a constituent entity as a result of a profit distribution received or due to be received in respect of a financial instrument issued pursuant to regulatory requirements (additional tier one capital) held [by the said constituent entity] shall be included as income when determining the qualifying income or loss of the said constituent entity.

International Shipping Income Exclusion

Article 260n. (New, SG No. 106/2023, effective 1.01.2024) (1) Within the meaning given by this Article:
1. "international shipping income" shall be the accounting financial result obtained by a constituent entity from the following activities, provided that the transportation is not carried out via inland waterways within the same jurisdiction:
(a) transportation of passengers or cargo by ship in international traffic, whether the ship is owned, leased or otherwise at the disposal of the constituent entity;
(b) transportation of passengers or cargo by ship in international traffic under slot-chartering arrangements;

(c) leasing of a ship for the transportation of passengers or cargo in international traffic, fully equipped, crewed and supplied;
(d) leasing of a ship used for the transportation of passengers or cargo in international traffic, on a bareboat charter basis, to another constituent entity;
(e) participation in a pool, a joint business or an international operating agency for the transportation of passengers or cargo by ship in international traffic;
(f) sale of a ship used for the transportation of passengers or cargo in international traffic, provided that the ship has been held for use by the constituent entity for a minimum of one year;
2. "qualified ancillary international shipping income" shall be the accounting financial result obtained by a constituent entity from the following activities, provided that such activities are performed primarily in connection with the transportation of passengers or cargo by ships in international traffic:
(a) leasing of a ship, on a bareboat charter basis, to another shipping enterprise that is not a constituent entity, provided that the duration of the charter does not exceed three years;
(b) sale of tickets issued by another shipping enterprise for the domestic leg of an international voyage;
(c) leasing and short-term storage of containers or detention charges for the late return of containers;
(d) provision of services to another shipping enterprise by engineers, maintenance staff, cargo handlers, catering staff and customer services personnel;
(e) investment income, where the investment is an integral part of the carrying on of the business of operating ships in international traffic.
(2) The international shipping income and the qualified ancillary international shipping income of a constituent entity shall be excluded when determining the qualifying income or loss of the said entity, provided that the said entity demonstrates that the strategic or commercial management of all ships concerned is effectively carried on from within the jurisdiction where the constituent entity is located.
(3) Where the calculation of the international shipping income of a constituent entity and of the qualified ancillary international shipping income thereof results in a loss, such loss shall be excluded when determining the qualifying income or loss of the said constituent entity.
(4) The amount of the aggregated qualified ancillary international shipping income of all constituent entities located in a jurisdiction may not exceed 50 per cent of the aggregate international shipping income of the said constituent entities.
(5) The costs incurred by a constituent entity that are directly attributable to the activities referred to in Paragraph (1) shall be allocated to such activities for the purpose of calculating the net international shipping income and the net qualified ancillary international shipping income of the said constituent entity.
(6) The costs incurred by a constituent entity that are directly attributable to the activities referred to in Paragraph (1) shall be deducted from the revenues from such activities of the said constituent entity for the purposes of calculating the international shipping income and the qualified ancillary international shipping income of the said constituent entity, with the total amount of the said costs being multiplied by the proportion of the revenues from such activities to the total revenues of the said entity.
(7) The direct and indirect costs referred to in Paragraphs (5) and (6), which are attributed to the international shipping income and the qualified ancillary international shipping income of the constituent entity, shall be ignored when determining the qualifying income or loss of the said constituent entity.

Allocation of Qualifying Income or Loss between Main Entity and Permanent Establishment

Article 260o. (New, SG No. 106/2023, effective 1.01.2024) (1) Where a constituent entity constitutes a permanent establishment within the meaning given by Item 131 (a), (b) or (c) of § 1 of

the Supplementary Provisions herein, the net accounting financial result thereof shall be the net accounting financial result in the separate financial statement of the said permanent establishment.
(2) Where the permanent establishment does not prepare a separate financial statement, the net accounting financial result shall be the amount in the separate financial statement thereof in case such a statement would have been prepared on the basis of the accounting standard used in the preparation of the consolidated financial statement of the ultimate parent entity.
(3) Where a constituent entity constitutes a permanent establishment within the meaning given by Item 131 (a) or (b) of § 1 of the Supplementary Provisions herein, the net accounting financial result thereof shall be adjusted to reflect only income, expense and amounts that are attributable to the said entity in accordance with an effective convention for the avoidance of double taxation or according to the legislation of the jurisdiction where the said entity is located, regardless of the amount of income and expenses recognised for tax purposes in that jurisdiction.
(4) Where a constituent entity constitutes a permanent establishment within the meaning given by Item 131 (c) of § 1 of the Supplementary Provisions herein, the net accounting financial result thereof shall be adjusted to reflect only income, expense and amounts that would have been attributable to the said entity according to Article 7 of the Model Tax Convention of the Organisation for Economic Co-operation and Development, as last amended.
(5) Where a constituent entity constitutes a permanent establishment within the meaning given by Item 131 (d) of § 1 of the Supplementary Provisions herein, income, expense and amounts that are not recognised for tax purposes in the jurisdiction where the main entity is located and are attributable to the operations conducted outside of that jurisdiction shall be included when determining the net accounting financial result of the said entity.
(6) The net accounting financial result of a permanent establishment shall not be included when determining the qualifying income or loss of the main entity, except in the cases referred to in Paragraph (7).
(7) A qualifying loss of a permanent establishment shall be treated as an expense of the main entity when determining the qualifying income or loss thereof to the extent that the loss of the permanent establishment is treated as an expense in the calculation of domestic taxable income of such main entity and is not set off against an income that is subject to tax according to the legislation of the jurisdiction of the main entity and of the permanent establishment.
(8) Qualifying income of a permanent establishment that is earned in a subsequently tax period shall be treated as qualifying income of the main entity up to the amount of the expense referred to in Paragraph (7).

Allocation of Qualifying Income or Loss of Flow-through Entity

Article 260p. (New, SG No. 106/2023, effective 1.01.2024) (1) The net accounting financial result of a constituent entity that is a flow-through entity shall be reduced by the amount allocable to entities outside the group which hold an ownership interest in such flow-through entity directly or through a chain of tax transparent entities, unless where:
1. the flow-through entity is an ultimate parent entity, or
2. an ultimate parent entity referred to in Item 1 holds an ownership interest in the flow-through entity directly or through a chain of tax transparent entities.
(2) The net accounting financial result of a constituent entity that is a flow-through entity shall be reduced by the portion that is allocated to another constituent entity.
(3) Where a flow-through entity wholly or partially carries out business through a permanent establishment, the portion of the net accounting financial result of the said entity which remains after applying Paragraph (1) shall be allocated to the said permanent establishment in accordance with Article 260o herein.
(4) Where a tax transparent entity is not an ultimate parent entity, the portion of the net accounting financial result of the flow-through entity which remains after applying Paragraphs (1) and (3) shall be allocated to the constituent entities holding an ownership interest in the said entity in proportion to the ownership interests held thereby.

(5) Where a flow-through entity is a tax transparent entity that is an ultimate parent entity or a reverse hybrid entity, the portion of the net accounting financial result of the flow-through entity which remains after applying Paragraphs (1) and (3) shall be allocated to the ultimate parent entity or to the reverse hybrid entity.
(6) Paragraphs (3), (4) and (5) shall be applied separately with respect to each ownership interest in the flow-through entity.

Chapter Thirty-Four "d"
(New, SG No. 106/2023, effective 1.01.2024)
CALCULATION OF ADJUSTED COVERED TAXES

Covered Taxes

Article 260q. (New, SG No. 106/2023, effective 1.01.2024) (1) The covered taxes of a constituent entity shall comprehend:
1. the expenses charged for taxes with respect to the profit and income of the constituent entity, as well as with respect to the share of the said entity in the profit and income of constituent entities wherein the said entity holds an ownership interest;
2. a tax upon profit distribution or deemed profit distribution, as well as a tax on non-business expenses under an eligible profit distribution tax system;
3. alternative taxes imposed instead of corporate tax;
4. a tax on retained earnings and equity, including on multiple components based on profit, income and equity.
(2) The covered taxes of a constituent entity shall exclude:
1. the top-up tax accrued by a parent entity under the qualified Income Inclusion Rule;
2. qualified domestic top-up tax due by a constituent entity;
3. tax charged in respect of an adjustment made by a constituent entity according to the qualified Undertaxed Profit Rule;
4. disqualified refundable imputation tax;
5. tax paid by insurance companies in respect of returns to policyholders.
(3) Taxes in respect of any net gain or loss arising from the disposal of immovable property under Article 260m (13) herein in the tax period wherein the election referred to in Article 260m (13) herein is made shall be excluded upon the calculation of the covered taxes.

Adjusted Covered Taxes

Article 260r. (New, SG No. 106/2023, effective 1.01.2024) (1) The adjusted covered taxes of a constituent entity shall be determined by adjusting the current tax expense accrued with respect to covered taxes in the tax period when determining the net accounting financial result by:
1. the difference between the additions and reductions to covered taxes in the tax period, as determined according to Paragraphs (2) and (3);
2. the amount of the deferred tax adjustment, determined according to Article 260s herein; and
3. any increase or decrease in covered taxes recorded in equity or other comprehensive income relating to amounts included in the calculation of qualifying income or loss that are subject to tax according to the legislation of the jurisdiction of the constituent entity.
(2) The covered taxes of a constituent entity in the tax period shall be credited with:
1. the amount of covered taxes accrued as current expense when determining the accounting financial result;
2. the value of qualifying loss deferred tax asset according to Article 260t (2) herein;
3. the amount of covered taxes relating to an uncertain tax position and paid in the tax period, wherewith the covered taxes were debited according to Item 4 of Paragraph (3);

4. the amount of credit or refund in respect of a qualified refundable tax credit that was accrued as a reduction to the current tax expense.
(3) The covered taxes of a constituent entity in the tax period shall be debited with:
1. the amount of current tax expense with respect to income that is not included when determining the qualifying income or loss according to Chapter Thirty-Four C herein;
2. the amount of refunded covered taxes or of covered taxes wherewith a tax liability has been debited, in respect of a non-qualified refundable tax credit that was not accounted for as a reduction to the current tax expense;
3. the amount of covered taxes refunded to a constituent entity or of covered taxes wherewith a tax liability of the said entity has been debited, whereby current tax expense was not adjusted, unless the said amount relates to a qualified refundable tax credit;
4. the amount of current tax expense relating to an uncertain tax position;
5. the full amount of current tax expense that is not expected to be paid within three years after the end of the tax period.
(4) Where a covered tax falls under more than one item of Paragraphs (1) to (3), the said tax shall only be taken into account once when determining the amount of adjusted covered taxes.
(5) Where, for a tax period, there is no net qualifying income in a jurisdiction and the amount of adjusted covered taxes for that jurisdiction is negative or less than an amount equal to 15 per cent of the net qualifying loss, the difference between the amount of adjusted covered taxes and the expected adjusted covered taxes shall be treated as an adjusted top-up tax for that fiscal year. The amount of adjusted top-up tax shall be allocated to each constituent entity in the jurisdiction according to the procedure established by Article 260z (3) herein.

Deferred Tax Adjustment

Article 260s. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "disallowed accrual" shall be any change in the accrued deferred tax expense of a constituent entity relating to an uncertain tax position or to profit distribution from another constituent entity;
2. "unclaimed accrual" shall be any increase in a deferred tax liability of a constituent entity in a tax period that is not expected to be paid within the time period referred to in Paragraph (8) and which the filing constituent entity elects, in accordance with Article 260aa24 (2) herein, not to include in the total deferred tax adjustment amount for the same tax period.
(2) Where the tax rate used for calculating the deferred tax expense is equal to or lower than 15 per cent, the deferred tax adjustment amount to be added to the adjusted covered taxes of a constituent entity for a tax period according to Item 2 of Article 260r (1) herein shall be equal to the amount of deferred tax expense accrued with respect to covered taxes and adjusted according to the procedure established by Paragraphs (4) to (7).
(3) Where the tax rate used for calculating the deferred tax expense exceeds 15 per cent, the deferred tax adjustment amount to be added to the adjusted covered taxes of a constituent entity for a tax period according to Item 2 of Article 260r (1) herein shall equal the amount of deferred tax expense accrued with respect to covered taxes and recalculated for a tax rate of 15 per cent and adjusted according to the procedure established by Paragraphs (4) to (7).
(4) The tax adjustment amount shall be increased by:
1. the amount of any disallowed accrual or unclaimed accrual paid during the tax period;
2. the amount of deferred tax liability that has been paid during the tax period wherewith the deferred tax adjustment was debited in a preceding tax period.
(5) Where, for a tax period, a loss deferred tax asset is not recognised because the conditions for the recognition of the said asset are not fulfilled, the deferred tax adjustment shall be reduced by the amount that would have reduced the said adjustment if a loss deferred tax asset for the tax period had been recognised.
(6) The deferred tax adjustment shall not include:

1. the amount of deferred tax expense accrued with respect to income, expense and amounts that are not included when determining the qualifying income or loss according to Chapter Thirty-Four C herein;
2. the amount of deferred tax expense accrued with respect to disallowed accruals and unclaimed accruals;
3. the amount of a valuation adjustment with respect to a deferred tax asset made upon revaluation;
4. the amount of deferred tax expense arising from a recalculation of the value of deferred tax assets or liabilities upon a change in the tax rate whereat the value of the said assets or liabilities was calculated;
5. the amount of deferred tax expense accrued with respect to the origination of the right to tax credits and to the use of such credits.
(7) Where the amount of a deferred tax asset that is attributable to a qualifying loss of a constituent entity has been determined for a tax period at a tax rate lower than 15 per cent, the said amount may be recalculated for the same tax period at a rate of 15 per cent, in case the taxable person is able to demonstrate that the deferred tax asset is attributable to a qualifying loss. Where the amount of the deferred tax asset is increased as a result of the recalculation under sentence one, the deferred tax adjustment amount shall be reduced by the amount of the increase.
(8) The adjusted covered taxes shall be reduced by the amount of a deferred tax liability that is recognised with respect of a temporary tax difference which is not reversed within five tax periods after the period wherein the said difference arose, or which is not paid within the said period, to the extent the said amount was included in the deferred tax adjustment when the said amount arose. The reduction under sentence one shall be made in the fifth tax period preceding the current tax period, and the effective tax rate and the top-up tax for that tax period shall be recalculated in accordance with Article 260z (1) herein. The amount of the reduction shall equal to the amount of the increase in the category of deferred tax liabilities that was included in the deferred tax adjustment in the fifth tax period preceding the current tax period, with the temporary tax differences in respect of which the deferred tax liabilities have been recognised not being reversed by the end of the last day of the current fiscal year.
(9) Paragraph (8) shall not apply in the cases of temporary tax differences that arose in respect of the non-recognition for tax purposes of:
1. expenses on depreciation of tangible assets;
2. cost of obtaining a licence or similar arrangement from a State body or municipal body for the use of immovable property or for exploitation of natural resources as a result of which significant investments in tangible assets are expected to be made;
3. research and development expenses;
4. decommissioning and remediation expenses;
5. fair value accounting on unrealised net gains;
6. foreign currency exchange net gains;
7. insurance reserves and insurance policy deferred acquisition costs;
8. gains from the sale of fixed tangible assets located in the same jurisdiction as the constituent entity that are spent on the purchase of fixed tangible assets in the same jurisdiction;
9. income, expenses and amounts recorded as a result of a change in accounting policy with respect to accounting for the items under Items 1 to 8.

Qualifying Loss Election

Article 260t. (New, SG No. 106/2023, effective 1.01.2024) (1) The filing constituent entity may make a qualifying loss election for a jurisdiction according to which a qualifying loss deferred tax asset shall be determined for each tax period wherein there is a net qualifying loss equal to 15 per cent of the amount of the said loss. In such case, Article 260s herein shall not apply. The election under sentence one may not be made for a jurisdiction which applies an eligible profit distribution tax system according to Article 260aa12 herein.

(2) The deferred tax asset referred to in Paragraph (1) shall be used in each subsequent tax period wherein there is net qualifying income for the jurisdiction up to the lower of 15 per cent of the net qualifying income and the amount of the deferred tax asset.
(3) The amount of the deferred tax asset referred to in Paragraph (1) shall be reduced by the amount of the portion that is used for a tax period and the balance shall be carried forward to subsequent tax periods.
(4) In case an election under Paragraph (1) is revoked, any remaining portion of the deferred tax asset referred to in Paragraph (1) shall be reduced to zero as of the first day of the first tax period wherein the said election is no longer applicable.
(5) The election under Paragraph (1) shall be declared with the first information return referred to in Article 260aa23 herein for the jurisdiction for which the election should apply.
(6) Where the election under Paragraph (1) is made by an ultimate parent entity that is a flow-through entity, the amount of the deferred tax asset referred to in Paragraph (1) shall be determined by reference to the qualifying loss of the flow-through entity reduced according to Article 260aa10 (3) herein.

Specific Allocation of Covered Taxes Incurred by Certain Constituent Entities

Article 260u. (New, SG No. 106/2023, effective 1.01.2024) (1) A permanent establishment shall be allocated the total amount of covered tax expense that is accounted for by a constituent entity and that relates to qualifying income or loss of the said permanent establishment.
(2) A constituent entity-owner shall be allocated the total amount of covered tax expense that is accounted for by a tax transparent entity and that relates to qualifying income or loss allocated to the said constituent entity-owner according to Article 260p (4) herein.
(3) A constituent entity shall be allocated the total amount of covered tax expense that is accounted for by the constituent entity-owners of the said entity holding a direct or indirect ownership interest therein under a controlled foreign company tax regime effective in the jurisdiction where the said entity-owners are located, in proportion to the right of the said entity-owners to a share of the income of the controlled foreign company.
(4) A constituent entity that is a hybrid entity shall be allocated the total amount of covered tax expense that is accounted for by the constituent entity-owner thereof and that relates to qualifying income of the hybrid entity.
(5) A constituent entity that distributed profit or another part of the capital during the tax period shall be allocated the total amount of covered tax expense that is accrued by the constituent entity-owners of the said entity holding a direct ownership interest therein and that relates to such distribution.
(6) Where a constituent entity was allocated covered tax expense in respect of passive income according to Paragraphs (3) and (4), the said expense shall be included in the total amount of adjusted covered taxes of the constituent entity up to the lower of:
1. the amount of covered tax expense in respect of such passive income;
2. the amount resulting from the multiplication of the top-up tax rate for the jurisdiction of the constituent entity by the amount of the passive income of the constituent entity that is included under a controlled foreign company tax regime or a fiscal transparency rule. In such case, the balance up to the total amount referred to in Item 1 shall not be allocated according to Paragraphs (3) and (4).
(7) For the purposes of this Article, "passive income" shall be the following types of income included in qualifying income to the extent a constituent entity-owner has been subject to tax under a controlled foreign company tax regime or as a result of an ownership interest in a hybrid entity:
1. income from dividends or dividend equivalents;
2. income from interest payments or interest equivalents;
3. income from rent;
4. income from copyright and licence royalties;
5. annuity; or

6. net gains from the disposal of property that produces income from sources referred to in Items 1 to 5.
(8) Where the qualifying income of a permanent establishment is treated as qualifying income of the main entity according to Article 260o (7) and (8) herein, the covered taxes of the permanent establishment the liability for which arose in the jurisdiction where the said establishment is located and that are associated with such income shall be treated as covered taxes of the main entity up to the amount resulting from the multiplication of the said income by the highest tax rate on ordinary income in the jurisdiction where the main entity is located.

Post-filing Adjustments and Tax Rate Changes

Article 260v. (New, SG No. 106/2023, effective 1.01.2024) (1) Where a constituent entity adjusts the covered tax expense thereof for a previous tax period, the amount of the said adjustment shall adjust the covered tax expense for the tax period wherein the adjustment is made, except in the cases where the said adjustment relates to a decrease in covered taxes for a previous reporting period.
(2) Where there is a decrease in covered taxes that were included in the amount of adjusted covered taxes of the constituent entity for a previous tax period, the effective tax rate and the top-up tax for the said tax period shall be recalculated according to Article 260z (1) herein by reducing the amount of adjusted covered taxes by the amount of the decrease in covered taxes. The qualifying income for the current reporting period and for previous reporting periods shall be adjusted accordingly.
(3) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) At the election of the filing constituent entity according to Article 260aa2 (2) herein, in case of an immaterial decrease in covered taxes for a previous tax period, the covered taxes of the constituent entity for the tax period wherein the adjustment is made may be adjusted by the amount of the said decrease. An immaterial decrease in covered taxes shall be an aggregate decrease of less than EUR 1,000,000, in the adjusted covered taxes for the jurisdiction for the tax period.
(4) Where the domestic tax rate is reduced to an amount of less than 15 per cent and such reduction results in the accrual of a deferred tax expense, the liability of the constituent entity for covered taxes that are accounted for in a previous tax period in accordance with Article 260r herein shall be adjusted by the amount of the said expense.
(5) Where a deferred tax expense was determined at a tax rate lower than 15 per cent and the said is increased in a subsequent tax period, the amount of deferred tax expense that results from such increase shall be treated upon payment as an adjustment to the liability of the constituent entity for covered taxes for a previous tax period that are accounted for according to Article 260r herein. The amount of the adjustment under sentence one may not exceed the total amount of the deferred tax expense that would have been determined at a tax rate equal to 15 per cent.
(6) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Where an amount exceeding EUR 1,000,000, of the amount of current tax expense that is included in adjusted covered taxes for a tax period is not paid within three years after the end of the said tax period, the effective tax rate and top-up tax for the tax period wherein the unpaid amount was accounted for as a covered tax shall be recalculated in accordance with Article 260z (1) herein by excluding the said unpaid amount from the adjusted covered taxes.

Chapter Thirty-Four "e"
(New, SG No. 106/2023, effective 1.01.2024)

DETERMINATION OF EFFECTIVE TAX RATE AND OF TOP-UP TAX

Determination of Effective Tax Rate

Article 260w. (New, SG No. 106/2023, effective 1.01.2024) (1) The effective tax rate of a multinational enterprise group or of a large-scale domestic enterprise group shall be determined using the following formula for each tax period and for each jurisdiction wherein the group has net qualifying income:
$ETR = ACT/NQI_J$,
where:
ETR shall be the effective tax rate of the group for the jurisdiction;
ACT shall be the total amount of adjusted covered taxes of the constituent entities in the jurisdiction;
NQI_J shall be the net qualifying income of the constituent entities in the jurisdiction.
(2) The net qualifying income or loss of the constituent entities in the jurisdiction for a tax period shall be determined using the following formula:
$NQIL_J = QI – QL$,
where:
$NQIL_J$ shall be the net qualifying income or loss of the constituent entities in the jurisdiction;
QI shall be the sum of the qualifying income, if any, of the constituent entities in the jurisdiction;
QL shall be the sum of the qualifying losses of the constituent entities in the jurisdiction;
The qualifying income or loss of the constituent entities for the purposes of this Paragraph shall be the income or loss determined according to the procedure established by Chapter Thirty-Four C.
(3) Adjusted covered taxes and qualifying income or loss of constituent entities that are investment entities shall be excluded when determining the effective tax rate under Paragraph (1) and the net qualifying income under Paragraph (2).
(4) The effective tax rate of a stateless constituent entity shall be determined, for each tax period, separately from the effective tax rate of all other constituent entities.

Determination of Top-up Tax

Article 260x. (New, SG No. 106/2023, effective 1.01.2024) (1) Where the effective tax rate under Article 260w (1) herein of a jurisdiction in which constituent entities are located is lower than 15 per cent for the tax period, the multinational enterprise group or the large-scale domestic enterprise group shall calculate the top-up tax separately for each of the constituent entities thereof that have qualifying income included when determining net qualifying income of that jurisdiction. The top-up tax shall be determined on a jurisdictional basis.
(2) The top-up tax rate for a tax period shall equal the positive difference between 15 per cent and the amount of the effective tax rate under Article 260w (1) herein.
(3) The top-up tax for a tax period for a jurisdiction shall be a positive quantity, if any, and shall be determined using the following formula:
$TUT_J = (EP_J \text{ x } TUTR) + ATUT – DTUT$,
where:
TT_J shall be the jurisdictional top-up tax;
EP_J shall be the excess profit for the jurisdiction;
TUTR shall be the top-up tax rate under Paragraph (2);
ATUT shall be the adjusted top-up tax under Article 260z herein;
DTUT shall be the domestic top-up tax under Article 260aa25 herein or the qualified domestic top-up tax of another jurisdiction.
(4) The excess profit for the jurisdiction under Paragraph (3) shall be a positive quantity, if any, and shall be determined using the following formula:

$EP_J = NQI_J - SBIE$,
where:
EP_J shall be the excess profit for the jurisdiction;
NQI_J shall be the net qualifying income determined according to Article 260v (2) herein for the jurisdiction;
SBIE shall be the amount of the substance-based income exclusion for the jurisdiction determined according to Article 260y herein.
(5) The top-up tax of a constituent entity for the current tax period shall be determined using the following formula:
$TUT_{CE} = TUT_J \times (QI_{CE} / AQI_{CE})$,
where:
TUT_{CE} shall be the top-up tax of a constituent entity;
TT_J shall be the jurisdictional top-up tax;
QI_{CE} shall be the qualifying income of the constituent entity for a tax period determined according to the procedure established by Chapter Thirty-Four C herein;
AQI_{CE} shall be the sum of the qualifying income of all the constituent entities for a tax period in the jurisdiction.
(6) Where the jurisdictional top-up tax under Paragraph (3) results only from an adjusted top-up tax under Article 260z (1) herein and there is no net qualifying income in the jurisdiction for that tax period, the top-up tax for the said jurisdiction shall be allocated to each constituent entity using the formula under Paragraph (5), based on the qualifying income of the constituent entities in the tax periods for which the adjustments under Article 260z (1) herein are made.
(7) The top-up tax of a stateless constituent entity shall be determined separately from the top-up tax of the other constituent entities.
(8) For the purposes of this Article, the constituent entities of a multinational enterprise group or a large-scale domestic enterprise group shall furthermore include the taxable persons liable for top-up tax according to Item 2 of Article 260f (1), Item 2 of Article 260f (2), Item 2 of Article 260f (4) and Item 2 of Article 260f (6) herein.
(9) Where a parent entity of a multinational enterprise group or of a large-scale domestic enterprise group is located in a Member State of the European Union, and the constituent entities directly or indirectly held thereby that are located either in that Member State or in another jurisdiction are subject to a qualified domestic top-up tax for the tax period in that jurisdiction, the top-up tax determined for the parent entity according to the procedure established by this Article and due according to Article 260f herein shall be reduced until depleted by the amount of qualified domestic top-up tax due either by the parent entity or by the said constituent entities.
(10) Where qualified domestic top-up tax has been determined in accordance with acceptable accounting standards of the ultimate parent entity or with the International Accounting Standards as adopted by Regulation (EC) No. 1606/2002, no top-up tax shall be determined according to the procedure established by this Article for the tax period in respect of the constituent entities of the multinational enterprise group or the large-scale domestic enterprise group located in a Member State of the European Union except in the cases where adjusted top-up tax under Article 260z herein, which is not part of that qualified domestic top-up tax, is due in the tax period.
(11) Where qualified domestic top-up tax due in a jurisdiction by the constituent entities of a multinational enterprise group or a large-scale domestic enterprise group has not been remitted until the end of the fourth tax period following the tax period in which the said tax was due, the unremitted domestic top-up tax shall not be due in that jurisdiction after the end of the fourth tax period and shall be added to the jurisdictional top-up tax determined according to the procedure established by Paragraphs (1) to (10).

Substance-Based Income Exclusion

Article 260y. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:

1. "eligible employees" shall be full-time or part-time employees of a constituent entity, as well as independent contractors participating in the ordinary operating activities of the multinational enterprise group or large-scale domestic enterprise group under the direction and control of the group;
2. "eligible staff costs" shall be employee compensation expenditures, including salaries, wages and other expenditures that provide a direct and separate personal benefit to the employee, such as health insurance and retirement insurance, taxes on income from employment relationships, and employer social-security contributions;
3. "eligible fixed tangible assets" shall be:
(a) property, plant and equipment located in the jurisdiction;
(b) natural resources located in the jurisdiction;
(c) the right of the lessee to use fixed tangible assets located in the jurisdiction;
(d) a licence or similar arrangement from a State body or municipal body for the use of immovable property or for exploitation of natural resources that entails significant investment in tangible assets.
(2) For the purposes of determining the top-up tax, the net qualifying income for a jurisdiction shall be reduced by the amount of the staff costs carve-out referred to in Paragraph (3) and the fixed tangible asset carve-out referred to in Paragraph (4) for each constituent entity located in the said jurisdiction. Sentence one shall not apply where the filing constituent has elected not to apply the substance-based income exclusion for the tax period according to Article 260aa24 herein.
(3) The staff costs carve-out of a constituent entity located in a jurisdiction shall equal 5 per cent of the eligible staff costs of eligible employees who perform activities for the multinational enterprise group or large-scale domestic enterprise group in such jurisdiction, with the exception of eligible staff costs that:
1. are capitalised as part of the carrying value of an eligible fixed tangible asset;
2. are attributable to income that is excluded according to Article 260n herein.
(4) The tangible fixed asset carve-out of a constituent entity located in a jurisdiction shall equal 5 per cent of the carrying value of the eligible fixed tangible assets located in the said jurisdiction, with the exception of the carrying value of:
1. immovable property, including land and buildings, that is held for sale, for lease, or as investment;
2. fixed tangible assets used to derive income that is excluded according to Article 260n herein.
(5) For the purposes of Paragraph (4), the carrying value of eligible fixed tangible assets shall be the arithmetic average of the carrying values of eligible fixed tangible assets at the beginning and at the end of the tax period, as used for the purpose of preparing the consolidated financial statement of the multinational enterprise group or the large-scale domestic enterprise group, reduced by the accumulated amortisation and increased by the amount of capitalised staff costs.
(6) For the purposes of Paragraphs (3) and (4), the eligible staff costs and the eligible fixed tangible assets of a constituent entity which is a permanent establishment shall be those that are included in the separate financial statement of the said entity according to Article 260o (1) to (4) herein, provided that the eligible staff costs and the eligible fixed tangible assets are located in the same jurisdiction where the permanent establishment is located. In such case, the eligible staff costs and the eligible fixed tangible assets of a permanent establishment shall not be included in the eligible staff costs and the eligible fixed tangible assets of the main entity.
(7) Where the income of a permanent establishment was wholly or partially excluded according to Article 260p (1) and Article 260aa10 (5) herein, the eligible staff costs and the eligible fixed tangible assets of such permanent establishment shall be excluded in the same proportion when determining the substance-based income exclusion for the multinational enterprise group or large-scale domestic enterprise group according to this Article.
(8) Where the eligible staff costs incurred in respect of eligible employees paid by a flow-through entity and the eligible fixed tangible assets owned by a flow-through entity that are not allocated

according to the procedure established by Paragraph (7), the said costs and assets hall be allocated to:
1. the constituent entity-owners of the flow-through entity, in proportion to the amount allocated to the said owners according to Article 260p (4) herein, provided that the eligible employees and the eligible fixed tangible assets are located in the jurisdiction of the constituent entity-owners;
2. the flow-through entity, where the said entity is the ultimate parent entity, reduced in proportion to the income excluded when determining the qualifying income of the flow-through entity according to Article 260aa10 (1) and (2) herein, provided that the eligible employees and the eligible fixed tangible assets are located in the jurisdiction of the flow-through entity.
(9) All eligible staff costs and eligible fixed tangible assets of the flow-through entity other than those under Paragraph (8) shall be excluded when determining the substance-based income exclusion of the multinational enterprise group or large-scale domestic enterprise group.
(10) The substance-based income exclusion of each stateless constituent entity shall be determined, for each tax period, separately from the substance-based income exclusion of all other constituent entities.
(11) The substance-based income exclusion as determined according to the procedure established by Paragraphs (1) to (10) shall not include the staff costs carve-out and the fixed tangible asset carve-out of investment entities located in that jurisdiction.

Adjusted Top-up Tax

Article 260z. (New, SG No. 106/2023, effective 1.01.2024) (1) Where an adjustment to covered taxes or qualifying income or loss, made according to the procedure established by Article 260x (11), Article 260m (13) to (16), Article 260s (7), Article 260v (1) to (3) and (6) and Article 260aa12 (6) herein, results in the recalculation of the effective tax rate and top-up tax of the multinational enterprise group or the large-scale domestic enterprise group for a prior tax period, the effective tax rate and top-up tax shall be recalculated according to the procedure established by Articles 260w, 260x and 260y herein. Any increment of the top-up tax arising from the recalculation under sentence one shall be treated as an adjusted top-up tax for the purposes of Article 260x (3) herein for the tax period during which the recalculation is made.
(2) Where there is an adjusted top-up tax and no net qualifying income for the jurisdiction for the tax period, the qualifying income of each constituent entity located in the said jurisdiction shall equal the top-up tax allocated to such constituent entities according to the procedure established by Article 260x (5) and (6) herein divided by 15 per cent.
(3) Where, according to Article 260r (5) herein, adjusted top-up tax is due, the qualifying income of each constituent entity located in the jurisdiction shall equal the top-up tax allocated to such constituent entity divided by 15 per cent. The adjusted top-up tax due under sentence one shall only be allocated to constituent entities whose total amount of adjusted covered taxes is negative and less than the qualifying income or loss of such constituent entities multiplied by 15 per cent, pro-rata, to each such constituent entity according to the following formula:
(QIL x 15%) – ACT,
where:
QIL shall be the qualifying income or loss;
ACT shall be the adjusted covered taxes.
(4) Where adjusted top-up tax is allocated to a constituent entity according to the procedure established by Paragraphs (1) to (3) and according to the procedure established by Article 260x (5) and (6) herein, such constituent entity shall be treated as a low-taxed constituent entity for the purposes of Articles 260f, 260g, 260h, 260i, 260x (9) to (11), Articles 260j and 260k herein.

Minority-Owned Constituent Entities

Article 260aa. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:

1. "minority-owned constituent entity" shall be a constituent entity in which the ultimate parent entity holds a direct or indirect ownership interest of 30 per cent or less;
2. "minority-owned parent entity" shall be a minority-owned constituent entity that holds, directly or indirectly, controlling interest in another minority-owned constituent entity, except where the controlling interest in the former entity is held, directly or indirectly, by another minority-owned constituent entity;
3. "minority-owned subgroup" shall be a minority-owned parent entity and the minority-owned subsidiaries thereof;
4. "minority-owned subsidiary" shall be a minority-owned constituent entity wherein the controlling interest is held, directly or indirectly, by a minority-owned parent entity.
(2) When determining the effective tax rate and the top-up tax for a jurisdiction according to the procedure established by Articles 260l to 260p and Articles 260aa10 to 260aa15 herein with respect to members of a minority-owned subgroup, the said minority-owned subgroup shall be treated as a separate multinational enterprise group or large-scale domestic enterprise group. The adjusted covered taxes and qualifying income or loss of members of a minority-owned subgroup shall be excluded when determining the effective tax rate according to the procedure established by Article 260w (1) herein and the net qualifying income according to the procedure established by Article 260w (2) herein of the multinational enterprise group or the large-scale domestic enterprise group.
(3) The effective tax rate and the top-up tax of a minority-owned constituent entity that is not a member of a minority-owned subgroup shall be determined on a constituent entity basis according to the procedure established by Articles 260l to 260p and Articles 260aa10 to 260aa15 herein. The adjusted covered taxes and qualifying income or loss of the minority-owned constituent entity shall be excluded when determining the effective tax rate according to the procedure established by Article 260w (1) herein and the net qualifying income according to the procedure established by Article 260w (2) herein of the multinational enterprise group or the large-scale domestic enterprise group. This paragraph shall not apply to a minority-owned constituent entity that is an investment entity.

Chapter Thirty-Four "f"
(New, SG No. 106/2023, effective 1.01.2024)
SAFE HARBOURS AND EXCLUSIONS

De Minimis Exclusion

Article 260aa1. (New, SG No. 106/2023, effective 1.01.2024) (1) The provisions of Articles 260w to 260aa herein shall not apply where, at the election of the filing constituent entity made annually according to Article 260aa24 (2) herein, the top-up tax due for the constituent entities located in a jurisdiction shall equal zero for a tax period where, for the said tax period, the following conditions are simultaneously fulfilled:
1. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the average qualifying revenue of all constituent entities located in such jurisdiction is less than EUR 10,000,000;
2. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the average qualifying income or loss of all constituent entities in such jurisdiction is a loss is less than EUR 1,000,000.

(2) The average qualifying revenue and the average qualifying income or loss referred to in Paragraph (1) shall be the arithmetic average of the qualifying revenue and the arithmetic average of the qualifying income or loss of the constituent entities for the tax period and the two preceding tax periods. Where there are no constituent entities with qualifying revenue or qualifying loss located in the first or second preceding tax period, or both, the said tax periods shall be excluded when determining the average qualifying revenue or qualifying income or loss of that jurisdiction.
(3) The qualifying revenue of the constituent entities located in a jurisdiction for a tax period shall be the sum of all the revenues of the constituent entities located in that jurisdiction, reduced or increased by the adjustments according to the procedure established by Chapter Thirty-Four C.
(4) The qualifying income or loss of the constituent entities located in a jurisdiction for a tax period shall be the net qualifying income or loss of that jurisdiction as determined according to the procedure established by Article 260w (2) herein.
(5) The de minimis exclusion according to Paragraphs (1) to (4) shall not be applicable to stateless constituent entities or to investment entities. The revenue and qualifying income or loss of such entities shall be excluded when determining the de minimis exclusion.

Qualified Domestic Top-up Tax Safe Harbour

Article 260aa2. (New, SG No. 106/2023, effective 1.01.2024) At the election of the filing constituent entity, the top-up tax of a multinational enterprise group under Article 260a (2) herein located in a jurisdiction shall be deemed to be zero for a tax period where the legislation of the said jurisdiction contains the conditions for a qualified domestic top-up tax safe harbour according to the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two).

Non-Material Constituent Entities Safe Harbour

Article 260aa3. (New, SG No. 106/2023, effective 1.01.2024) (1) At the election of the filing constituent entity, the amount of the revenues, adjusted covered taxes and qualifying income for a tax period of non-material constituent entities in a jurisdiction for the purposes of determining the effective tax rate for the said jurisdiction shall be calculated according to a simplified procedure established by Paragraph (3). The election under sentence one shall only apply to the tax period for which the said election is made.
(2) For the purposes of this Article, a non-material constituent entity shall be a constituent entity of a multinational enterprise group, including a permanent establishment of any such constituent entity, that is not consolidated in the consolidated financial statement of the group that is subject to mandatory financial audit solely for size or materiality grounds.
(3) For the purposes of this Article:
1. the qualifying income of a non-material constituent entity shall equal the revenues of the said constituent entity according to the country-by-country report of the group provided for the purposes of the automatic exchange of country-by-country reports;
2. the adjusted covered taxes of a non-material constituent entity shall be the tax expense of the said constituent entity according to the country-by-country report of the group provided for the purposes of the automatic exchange of country-by-country reports.
(4) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Paragraph (1) shall not apply to any non-material constituent entities with revenues exceeding EUR 50,000,000, where the country-by-country report of the group provided for the purposes of the automatic exchange of country-by-country reports is not prepared on the basis of qualified financial statements within the meaning given by Article 260aa22 herein.

Other Safe Harbour Eligibility Conditions

Article 260aa4. (New, SG No. 106/2023, effective 1.01.2024) Articles 260aa2, 260aa3 and 260 aa20 herein shall not apply to a jurisdiction where:
1. top-up tax could be allocated for the said jurisdiction provided that the filing constituent entity does not make an election under Top-up Tax under Articles 260aa2, 260aa3 and 260 aa20 herein with respect to the said jurisdiction, and
2. the National Revenue Agency has notified the constituent entities of the multinational enterprise group that are located in the country and are liable for the tax under Item 1 within 36 months after the filing of the information return under Article 260aa23 herein for the multinational enterprise group of the existence of facts and circumstances that could materially affect the eligibility conditions for the safe harbours under Articles 260aa2, 260aa3 and 260 aa20 herein and has requested clarification of the said facts and circumstances, and
3. within six months the constituent entities referred to in Item 2 have failed to respond to the notification or to demonstrate that the said facts and circumstances do not materially affect the eligibility conditions for the safe harbours under Articles 260aa2, 260aa3 and 260 aa20 herein.

Chapter Thirty-Four "g"
(New, SG No. 106/2023, effective 1.01.2024)
SPECIAL RULES FOR CORPORATE RESTRUCTURING AND HOLDING STRUCTURES

Application of Consolidated Revenue Threshold to Mergers or Demergers

Article 260aa5. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "merger" shall be an arrangement where:
(a) all or substantially all of the group entities of two or more separate groups are brought under common control in a way that the said entities constitute entities of a combined group;
(b) an entity that is not a member of any group is brought under common control with another entity or group in a way that the said entities constitute entities of a combined group;
2. "demerger" shall be an arrangement where the group entities of a single group are separated into two or more groups that are no longer consolidated in the consolidated financial statement of the same ultimate parent entity.
(2) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Where two or more groups merge to form a single group in any of the last four consecutive tax periods preceding the tested tax period, the threshold under Article 260a (2) herein shall be deemed to be met for any tax period prior to the merger for which the sum of the annual revenue in the consolidated financial statements of the said groups is equal to or exceeds EUR 750,000,000.
(3) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Where an entity that is not a member of a group merges with another entity or a group in the tested tax period and either of the two entities did not have a consolidated financial statement in any of the last four consecutive tax periods preceding the tested tax period, the threshold under Article 260a (2) herein shall be deemed to be met for that tax period for which the sum of the annual revenue in each of the separate financial statements thereof or consolidated financial statements for that tax period is equal to or exceeds EUR 750,000,000.

(4) Where a single multinational enterprise group or large-scale domestic enterprise group under Article 260a (2) herein demerges into two or more groups, each hereinafter referred to as a "demerged group", the threshold under Article 260a (2) herein shall be deemed to be met by a demerged group where:
1. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) with respect to the first tested tax period after the demerger, where the demerged group has an annual revenue for the said tax period that is equal to or exceeds EUR 750,000,000;
2. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) with respect to the second to fourth tested tax period after the demerger, where the demerged group has an annual revenue in at least two of the three tax periods that is equal to or exceeds EUR 750,000,000.

Constituent Entities Joining or Leaving Multinational Enterprise Group or Large-Scale Domestic Enterprise Group

Article 260aa6. (New, SG No. 106/2023, effective 1.01.2024) (1) Where an entity (hereinafter referred to as the "target") becomes or ceases to be a constituent entity of a multinational enterprise group or of a large-scale domestic enterprise group as a result of a transfer of direct or indirect ownership interests in the said target, or where the target becomes the ultimate parent entity of a new group during a tax period (hereinafter referred to as the "acquisition year"), the target shall be treated as a member of the multinational enterprise group or large-scale domestic enterprise group for the purposes of this Part provided that a portion of the assets, liabilities, income, expenses and cash flows of the said target is included on a line-by-line basis in the consolidated financial statement of the ultimate parent entity in the acquisition year. The effective tax rate and top-up tax of the target shall be determined according to Paragraphs (2) to (8).
(2) In the acquisition year, the multinational enterprise group or large-scale domestic enterprise group shall take into account only the net accounting financial result and the adjusted covered taxes of the target that are included in the consolidated financial statement of the ultimate parent entity for the purposes of this Part.
(3) In the acquisition year, and in each subsequent tax period, the qualifying income or loss and the adjusted covered taxes of the target shall be based on the historical carrying value of the assets and liabilities of the said target.
(4) In the acquisition year, when determining the eligible staff costs of the target according to Article 260y (3) herein, only the costs that are included in the consolidated financial statement of the ultimate parent entity shall be taken into account.
(5) The carrying value of the eligible fixed tangible assets of the target according to Article 260y (4) herein shall be determined in proportion to the period of time during the acquisition year wherein the target was part of the multinational enterprise group or large-scale domestic enterprise group.
(6) With the exception of a qualifying loss deferred tax asset according to Article 260t herein, the deferred tax assets and deferred tax liabilities of a target that are transferred between multinational groups or large-scale domestic groups shall be taken into account by the acquiring multinational enterprise group or large-scale domestic enterprise group in the same manner and to the same extent as if the acquiring multinational enterprise group or large-scale domestic enterprise group controlled the target when such assets and liabilities arose.
(7) Deferred tax liabilities of the target that have previously been included in the deferred tax adjustment of the said entity shall be treated as reversed, for the purposes of Article 260s (8) herein by the disposing multinational enterprise group or large-scale domestic enterprise group and shall

be treated as arising from the acquiring multinational enterprise group or large-scale domestic enterprise group in the acquisition year, after a reduction of covered taxes according to Article 260s (8) herein in the year of occurrence of the circumstance that warranted the reduction of covered taxes according to Article 260s (8) herein.
(8) Where the target is a parent entity and is a group entity in two or more multinational enterprise groups or large-scale domestic enterprise groups during the acquisition year, the said target shall owe an Income Inclusion Rule top-up tax separately for the low-taxed constituent entities thereof of each of the said groups, allocated according to the share of the parent entity in the top-up tax for the said constituent entities, determined for each multinational enterprise group or large-scale domestic enterprise group.
(9) Notwithstanding Paragraphs (1) to (8), the acquisition or disposal of a controlling interest in a target shall be treated as an acquisition or disposal of assets and liabilities where the jurisdiction in which the target is located or, in the case of a tax transparent entity, the jurisdiction in which the assets thereof are located, treats the acquisition or disposal of a controlling interest in the same or in a similar manner as an acquisition or disposal of assets and liabilities, and levies a covered tax from the disposing entity on the difference between the value for tax purposes and the price paid for the controlling interest or the fair value of the assets and liabilities.

Transfer of Assets and Liabilities

Article 260aa7. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "reorganisation" shall be a transformation or transfer of assets and liabilities upon a merger, demerger, liquidation or similar transformation whereupon:
(a) the consideration for the transfer is, in whole or in significant part, shares or equity interests issued by the acquiring constituent entity or by a person connected with the acquiring constituent entity, or, in the case of a liquidation, shares or equity interests of the target, or, when no consideration is provided, in case where the issuance of shares or equity interests would have no economic significance;
(b) the gain or loss of the disposing entity on the assets is not subject to tax, in whole or in part;
(c) the tax legislation of the jurisdiction in which the acquiring constituent entity is located require the acquiring constituent entity to determine the tax financial result thereof after the disposal or acquisition using the disposing the value for tax purposes of the assets of the constituent entity, adjusted for any non-qualifying gain or loss on the disposal or acquisition;
2. "non-qualifying gain or loss" shall be the lesser of the gain or loss of the disposing constituent entity arising in connection with a reorganisation that is subject to tax in the jurisdiction of the disposing constituent entity and the financial accounting gain or loss arising in connection with the said reorganisation.
(2) A constituent entity that disposes of assets and liabilities, hereinafter referred to as "disposing constituent entity", shall include the gain or loss arising from such disposal when determining the qualifying income or loss of the said entity.
(3) A constituent entity that acquires assets and liabilities, hereinafter referred to as "acquiring constituent entity", shall determine the qualifying income or loss thereof on the basis of the carrying value of the acquired assets and liabilities determined under the accounting standards used in the preparation of the consolidated financial statement of the ultimate parent entity.
(4) Paragraphs (2) and (3) shall not apply where a disposal or acquisition of assets and liabilities is performed upon a reorganisation. In such case:
1. the disposing constituent entity shall exclude any gain or loss arising from such disposal when determining the qualifying income or loss thereof;
2. the acquiring constituent entity shall determine the qualifying income or loss on the basis of the carrying value of the acquired assets and liabilities of the disposing constituent entity upon disposal.

(5) Paragraphs (2) to (4) shall not apply where the disposal of assets and liabilities is performed in the context of a reorganisation which results, for the disposing constituent entity, in a non-qualifying gain or loss. In such case:
1. the disposing constituent entity shall include the gain or loss on the disposal when determining the qualifying income or loss thereof to the extent of the non-qualifying gain or loss;
2. the acquiring constituent entity shall determine the qualifying income or loss thereof after the acquisition using the carrying value of the acquired assets and liabilities of the constituent entity upon disposal, as adjusted by the non-qualifying gain or loss according to the tax legislation of the jurisdiction of the acquiring constituent entity.
(6) At the election of the filing constituent entity, a constituent entity that is required or able to adjust the assets and liabilities thereof to fair value for tax purposes in the jurisdiction where the said entity is located, may:
1. when determining the qualifying income or loss thereof, include a gain or loss in respect of each of the assets and liabilities thereof, which:
(a) shall equal the difference between the carrying value for accounting purposes of the assets or liabilities immediately before the date of the event that triggered the tax adjustment, hereinafter referred to as the "triggering event", and the fair value of the assets or liabilities immediately after the triggering event, and
(b) shall be decreased or increased by the non-qualifying gain or loss, if any, accounted for in connection with the triggering event;
2. when determining the qualifying income or loss thereof in the tax periods ending after the triggering event, use the fair value for accounting purposes of the assets or liabilities by the date immediately after the triggering event;
3. when determining the qualifying income or loss thereof, include the net total determined according to Item 1 as follows:
(a) include the net total in the tax period wherein the triggering event occurs;
(b) include one-fifth of the net total in the tax period wherein the triggering event occurs and one-fifth of the said net total in each of the four subsequent tax periods. When the constituent entity ceases to be part of a multinational enterprise group or of a large-scale domestic enterprise group within this period, the remaining amount shall be included in the tax period wherein the said entity ceases to be a part of the group.

Joint Ventures

Article 260aa8. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "joint venture" shall be an entity wherein the investment is reported under the equity method in the consolidated financial statement of the ultimate parent entity, provided that the ultimate parent entity holds, directly or indirectly, at least 50 per cent of the ownership interest in the said entity. The following shall not be a joint venture:
(a) an ultimate parent entity of a multinational enterprise group or of a large-scale domestic enterprise group that is obliged to apply top-up tax under the Income Inclusion Rule;
(b) an excluded entity referred to in Article 260a (4) herein;
(c) an entity wherein the ownership interests are held by the multinational enterprise group or large-scale domestic enterprise group directly through an excluded entity referred to in Article 260 (4) herein and which meets one of the following conditions:
(aa) the entity operates exclusively or almost exclusively to hold assets or invest funds for the benefit of the investors thereof;
(bb) the entity carries out activities that are ancillary to those carried out by the excluded entity, or
(cc) substantially all of the income of the entity is excluded when determining qualifying income or loss according to Items 2 and 3 of Article 260m (2) herein;
(d) an entity that is held by a multinational enterprise group or large-scale domestic enterprise group composed entirely of excluded entities;

(e) a joint venture subsidiary;
2. "joint venture subsidiary" shall be:
(a) an entity whose assets, liabilities, income, expenses and cash flows are consolidated by a joint venture under an acceptable accounting standard or would have been consolidated had the joint venture been obliged to consolidate such assets, liabilities, income, expenses and cash flows under an acceptable accounting standard, or
(b) a permanent establishment whose main entity is a joint venture or an entity referred to in Littera (a); in such case the permanent establishment shall be treated as a separate joint venture subsidiary.
(2) A parent entity that holds a direct or indirect ownership interest in a joint venture or a joint venture subsidiary shall owe an Income Inclusion Rule top-up tax according to Articles 260f, 260g and 260h herein with respect to the said joint venture or joint venture subsidiary depending on the share of the said parent entity of the top-up tax of the said joint venture or joint venture subsidiary.
(3) The top-up tax of the joint venture and of the joint venture subsidiaries, hereinafter referred to as a "joint venture group", shall be determined according to the procedure established by Chapters Thirty-Four C to Thirty-Four H herein, as if the said joint venture and subsidiaries were constituent entities of a separate multinational enterprise group or large-scale domestic enterprise group and the joint venture was the ultimate parent entity of the said group.
(4) (Effective 1.01.2025 regarding sentence two - SG No. 106/2023) The top-up tax due by the joint venture group shall be reduced by the share of each parent entity in the top-up tax according to Paragraph (2) of each member of the group as determined according to Paragraph (3). Any top-up tax remaining after the application of sentence one shall be added to the total amount of Undertaxed Profit Rule top-up tax determined according to Article 260k (2) herein. For the purposes of this paragraph, "top-up tax due by the joint venture group" shall be the share of the parent entity of the top-up tax of the joint venture group.

Multi-parented Multinational Enterprise Groups

Article 260aa9. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "multi-parented multinational enterprise group or large-scale domestic enterprise group" shall be two or more groups whereof the ultimate parent entities enter into an arrangement that is a stapled structure or a dual-listed arrangement that includes at least one entity or permanent establishment of the combined group which is located in a different jurisdiction with respect to the location of the other entities of the combined group.
2. "stapled structure" shall be an arrangement entered into by two or more ultimate parent entities of separate groups under which:
(a) at least 50 per cent of the ownership interests in the ultimate parent entities, where listed on a capital market, are traded at a single price and are combined with each other by reason of form of ownership, restrictions on transfer or other terms or conditions and cannot be transferred or traded independently;
(b) one of the ultimate parent entities prepares a consolidated financial statement in which the assets, liabilities, income, expenses and cash flows of all the entities of the separate groups concerned are presented as those of a single enterprise and that are subject to external audit according to a regulatory regime;
3. "dual-listed arrangement" shall be an arrangement entered into by two or more ultimate parent entities of separate groups under which:
(a) the ultimate parent combine the business thereof pursuant to a contract;
(b) pursuant to contractual arrangements, the ultimate parent entities distribute dividends and shares in a liquidation surplus based on fixed percentages;
(c) the activities of the ultimate parent entities are managed as activities of a single enterprise pursuant to contractual arrangements while retaining the separate legal identities thereof;
(d) the ownership interests in the ultimate parent entities are quoted, traded or transferred independently in different capital markets;

(e) the ultimate parent entities prepare a consolidated financial statement in which the assets, liabilities, income, expenses and cash flows of all the entities of the separate groups concerned are presented as those of a single enterprise and that are subject to independent financial audit according to a regulatory regime.
(2) Where entities and constituent entities of two or more groups form part of a multi-parented multinational enterprise group or large-scale domestic enterprise group, the said entities and constituent entities shall be treated as entities and constituent entities of one multi-parented multinational enterprise group or large-scale domestic enterprise group. An entity which is not an excluded entity according to Article 260a (4) herein shall be treated as a constituent entity where the said entity is consolidated on a line-by-line basis in the consolidated financial statement of the multi-parented multinational enterprise group or large-scale domestic enterprise group or if the controlling interests in the said entity are held by entities in the multi-parented multinational enterprise group or large-scale domestic enterprise group.
(3) The consolidated financial statement of a multi-parented multinational enterprise group or large-scale domestic enterprise group shall be the consolidated financial statement according to Items 2 and 3 of Paragraph (1), prepared on the basis of acceptable accounting standards which are deemed to be accounting standards of the ultimate parent entity.
(4) The ultimate parent entities of the separate groups that compose a multi-parented multinational enterprise group or large-scale domestic enterprise group shall be ultimate parent entities of the multi-parented multinational enterprise group or large-scale domestic enterprise group. When applying this Part in respect of a multi-parented multinational enterprise group or large-scale domestic enterprise group, any reference to an ultimate parent entity shall be deemed to be a reference to the multiple ultimate parent entities of a multi-parented multinational enterprise group or large-scale domestic enterprise group.
(5) The parent entities of a multi-parented multinational enterprise group or large-scale domestic enterprise group located in a Member State of the European Union, including each ultimate parent entity, shall owe an Income Inclusion Rule top-up tax according to Articles 260f, 260g and 260h herein with respect to the share thereof of the top-up tax of the low-taxed constituent entities.
(6) (Effective 1.01.2025 - SG No. 106/2023) The constituent entities of a multi-parented multinational enterprise group or large-scale domestic enterprise group located in a Member State of the European Union shall apply top-up tax under the Undertaxed Profit Rule according to Articles 260i to 260k herein, taking into account the top-up tax of each low-taxed constituent entity that is a member of the group.
(7) The ultimate parent entities of a multi-parented multinational enterprise group or large-scale domestic enterprise group shall file a top-up tax information return according to Article 260aa23 herein where the said entities have not designated a filing entity within the meaning given by Item 2 of Article 260aa23 (4) herein. The said information return shall include information concerning each of the groups that compose the multi-parented multinational enterprise group or large-scale domestic enterprise group.

Chapter Thirty-Four "h"
(New, SG No. 106/2023, effective 1.01.2024)
TAX NEUTRALITY REGIMES AND PROFIT DISTRIBUTION REGIMES

Ultimate Parent Entity that Is Flow-through Entity

Article 260aa10. (New, SG No. 106/2023, effective 1.01.2024) (1) The qualifying income of a flow-through entity that is an ultimate parent entity shall be reduced, for the tax period, by the amount of qualifying income that is attributable to the holder of an ownership interest in the flow-through entity where one of the following conditions is fulfilled:

1. the ownership holder is subject to tax on such income for a tax period that ends within 12 months after the end of the said tax period at a tax rate that equals or exceeds 15 per cent;
2. it can be expected that the aggregated amount of adjusted covered taxes of the ultimate parent entity and of the taxes paid by the ownership holder on such income within 12 months after the end of the tax period equals or exceeds 15 per cent of the said income.
(2) The qualifying income of a flow-through entity that is an ultimate parent entity shall also be reduced, for the tax period, by the amount of qualifying income that is allocated to the ownership holder in the flow-through entity where the said ownership holder is:
1. a natural person who is resident for tax purposes in the jurisdiction where the ultimate parent entity is located and who holds ownership interests representing a right to 5 per cent or less of the profits and assets of the said ultimate parent entity;
2. a governmental entity, an international organisation, a non-profit organisation or a pension fund that is resident for tax purposes in the jurisdiction where the ultimate parent entity is located and that holds ownership interests representing a right to 5 per cent or less of the profits and assets of the said ultimate parent entity.
(3) The qualifying loss of a flow-through entity that is an ultimate parent entity shall be reduced, for the tax period, by the amount of qualifying loss that is attributable to the ownership holder in the said flow-through entity. Sentence one shall not apply to the extent the ownership holder is not allowed to use such loss when determining the tax financial result thereof.
(4) The covered taxes of a flow-through entity that is an ultimate parent entity shall be reduced proportionally to the amount of the reduction of the qualifying income according to Paragraphs (1) and (2).
(5) Paragraphs (1) to (4) shall apply to a permanent establishment wherethrough a flow-through entity that is an ultimate parent entity wholly or partly carries out the business thereof or wherethrough the business of a tax transparent entity is wholly or partly carried out, provided that the ownership interest of the ultimate parent entity in the said tax transparent entity is held directly or through a chain of tax transparent entities.

Ultimate Parent Entity Subject to Deductible Dividend Tax Regime

Article 260aa11. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "deductible dividend tax regime" shall be a tax regime that applies a single level of taxation on the dividend income of the owners of an entity by deducting or excluding from the income of the distributing entity the amount of the profit distributed thereby, or by exempting a cooperative from taxation;
2. "deductible dividend" shall be, with respect to a constituent entity that is subject to a deductible dividend tax regime:
(a) a distribution of profits to the holder of an ownership interest in the constituent entity that is deducted when determining the taxable income of the constituent entity according to the legislation of the jurisdiction in which the said entity is located;
(b) a patronage dividend to a member of a cooperative;
3. "cooperative" shall be an entity that collectively markets or acquires goods or services on behalf of the members thereof and that is subject to taxation in the jurisdiction where the said entity is located that ensures tax neutrality in respect of the goods or services that are sold or acquired by the members thereof through the said cooperative.
(2) An ultimate parent entity of a multinational enterprise group or of a large-scale domestic enterprise group that is subject to a deductible dividend tax regime shall reduce, up to zero, for the tax period, the qualifying income thereof by the amount that is distributed as deductible dividend within 12 months after the end of the tax period, provided that one of the following conditions is fulfilled:
1. the dividend is subject to tax in the hands of the recipient thereof within a tax year that ends 12 months after the end of the fiscal year at a tax rate that equals or exceeds 15 per cent;

2. it can be expected that the aggregate amount of adjusted covered taxes and taxes of the ultimate parent entity paid by the recipient of the dividend on the said such dividend equals or exceeds 15 per cent of the amount of income from the said dividend.
(3) Paragraph (2) notwithstanding, an ultimate parent entity of a multinational enterprise group or of a large-scale domestic enterprise group that is subject to a deductible dividend tax regime shall also reduce, up to zero, for the tax period, the qualifying income thereof by the amount of deductible dividend distributed within 12 months after the end of the tax period, provided that the recipient is:
1. a natural person, and the dividend received is a patronage dividend from a supply cooperative, or
2. a natural person who is resident for tax purposes in the jurisdiction where the ultimate parent entity is located and who holds ownership interests representing a right to 5 per cent or less of the profits and assets of the said ultimate parent entity, or
3. a governmental entity, an international organisation, a non-profit organisation or a pension fund other than a pension services entity, that is resident for tax purposes in the jurisdiction where the ultimate parent entity is located.
(4) The covered taxes of an ultimate parent entity, other than the taxes for which the dividend deduction was allowed, shall be reduced proportionally to the reduction of the qualifying income according to Paragraphs (2) and (3).
(5) Where the ultimate parent entity holds an ownership interest in another constituent entity that is subject to a deductible dividend tax regime, directly or through a chain of such constituent entities, Paragraphs (2) to (4) shall apply to any other constituent entity located in the jurisdiction of the ultimate parent entity that is subject to the deductible dividend tax regime, to the extent that the qualifying income of the said constituent entity is distributed by the ultimate parent entity to recipients that fulfil the conditions referred to in Paragraphs (2) and (3).
(6) For the purposes of Paragraph (2), a patronage dividend distributed by a supply cooperative shall be treated as subject to tax in the hands of the recipient insofar as such dividend reduces a deductible expense or amount when determining the tax financial result of the recipient.

Eligible Income Distribution Tax System

Article 260aa12. (New, SG No. 106/2023, effective 1.01.2024) (1) A filing constituent entity may make an election for itself or with respect to another constituent entity that is subject to an eligible income distribution tax system to include the amount of a deemed distribution tax according to the procedure established by Paragraph (2) in the adjusted covered taxes of the said constituent entity for the tax period. The election shall be made annually according to Article 260aa24 (2) herein and shall apply to all the constituent entities that are located in a jurisdiction.
(2) The amount of deemed income distribution tax shall be the lesser of:
1. the amount of adjusted covered taxes necessary for the effective tax rate for the jurisdiction for the tax period, as calculated according to the procedure established by Article 260x (2) herein, to reach 15 per cent;
2. the amount of tax that would have been due if the constituent entities located in the jurisdiction had distributed all of their income that is subject to the eligible income distribution tax system during such tax period.
(3) Where an election is made according to Paragraph (1), the constituent entity shall report the deemed income distribution tax separately for each tax period wherein such election applies, with the amount of tax determined for the jurisdiction according to Paragraph (2) for a tax period being recorded on an account for the relevant tax period for which the said tax applies.
(4) At the end of each subsequent tax period, the balances in the accounts under Paragraph (3) established for prior tax periods shall be reduced in chronological order, up to zero, by the amount of taxes paid by the constituent entities during the fiscal year in the jurisdiction in relation to actual or deemed income distributions. Any balances remaining after the application of sentence one shall be reduced by an amount equal to 15 per cent of the net qualifying loss for the jurisdiction.
(5) Any residue of the amount of 15 per cent of the net qualifying loss remaining after the application of sentence two of Paragraph (4) shall be carried forward to the following tax periods

and shall reduce any balances in the deemed income distribution tax accounts remaining after the application of Paragraphs (3) and (4).
(6) Where there is a balance of the deemed income distribution tax account by the end of the fourth tax period after the tax period for which the said account applies, the adjusted covered taxes determined for the said prior tax period shall be reduced by the said balance. The effective tax rate and the top-up tax for the said prior tax period shall be recalculated according to Article 260z (1) herein.
(7) Taxes that are paid during the tax period on actual or deemed distributions shall not be taken into account when determining the amount of adjusted covered taxes, to the extent that the said paid taxes reduce the balance of a deemed income distribution tax account according to the procedure established by Paragraphs (3) to (5).
(8) Where a constituent entity whereto an election according to Paragraph (1) applies leaves the multinational enterprise group or large-scale domestic enterprise group or almost all of the assets of the said entity are transferred to a person that is not a constituent entity of the same multinational enterprise group or large-scale domestic enterprise group located in the same jurisdiction, any balance of the deemed income distribution tax accounts for the previous tax periods in which the said accounts were established shall reduce the adjusted covered taxes for each of the said tax periods according to Article 260z (1) herein.
(9) The adjusted top-up tax for the jurisdiction shall be determined by multiplying each adjusted top-up tax determined according to Paragraph (8) by a ratio determined using the following formula:
QI_{CE} / NQI_{J},
where:
QI_{CE} shall be the qualifying income of the constituent entity as determined according to the procedure established by Chapter Thirty-Four C herein for each tax period wherein there is a balance of the deemed income distribution tax accounts for the jurisdiction;
NQI_{J} shall be the qualifying income for the jurisdiction as determined according to the procedure established by Article 260u (2) herein for each tax period wherein there is a balance of the deemed income distribution tax accounts for the jurisdiction.

Determination of Effective Tax Rate and Top-up Tax of Investment Entity

Article 260aa13. (New, SG No. 106/2023, effective 1.01.2024) (1) Where a constituent entity of a multinational enterprise group or of a large-scale domestic enterprise group is an investment entity that is not a tax transparent entity and that has not made an election according to Article 260aa14 and Article 260aa15 herein, the effective tax rate of the said investment entity shall be determined separately from the effective tax rate of the jurisdiction in which the said entity is located.
(2) The effective tax rate of the investment entity shall be determined by dividing the amount of the adjusted covered taxes of the said entity by the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income or loss of the said investment entity. Where more than one investment entity is located in a jurisdiction, the effective tax rate of the said entities shall be determined by dividing the sum total of the adjusted covered taxes thereof by the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income or loss of the said entities.
(3) The adjusted covered taxes of an investment entity referred to in Paragraph (1) shall be the adjusted covered taxes that are attributable to the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income, as well as the covered taxes allocated to the investment entity according to Article 260u herein. The adjusted covered taxes of an investment entity shall not include any covered taxes accrued by the investment entity attributable to income that is not part of the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income of the said investment entity.

(4) The top-up tax of an investment entity referred to in Paragraph (1) shall equal the top-up tax rate of the investment entity multiplied by the difference between the amount of the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income of the investment entity and the amount of the substance-based income exclusion for the investment entity. For the purposes of sentence one, the top-up tax rate of an investment entity shall be the positive difference between 15 per cent and the effective tax rate of the said investment entity.
(5) Where more than one investment entity is located in a jurisdiction, the effective tax rate of the said entities shall be determined by taking into account the sum total of the substance-based income exclusion amounts of the said entities and the amount of the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income or loss of the said investment entities.
(6) The substance-based income exclusion of an investment entity shall be determined according to Article 260y (1) to (8) herein. The eligible staff costs of eligible employees and eligible fixed tangible assets for such investment entity shall be reduced in proportion to the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income of the investment entity divided by the total qualifying income of the said investment entity.
(7) For the purposes of this Article, the share of the multinational enterprise group or large-scale domestic enterprise group in the qualifying income or loss of an investment entity shall be determined according to Article 260g herein, taking into account only interests that are not subject to an election according to Article 260aa14 and Article 260aa15 herein.

Election to Treat Investment Entity as Tax Transparent Entity

Article 260aa14. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article, an "insurance investment entity" shall be an entity that fulfils the conditions for an investment fund according to Item 146 of § 1 of the Supplementary Provisions herein or the conditions for a real estate investment vehicle according to Item 147 of § 1 of the Supplementary Provisions herein but has been established in relation to liabilities under an insurance or annuity contract and is wholly owned by an entity that is subject to regulation as an insurance company in the jurisdiction where the said insurance investment entity is located.
(2) At the election of the filing constituent entity, a constituent entity that is an investment entity or an insurance investment entity may be treated as a tax transparent entity where the constituent entity-owner is subject to tax in the jurisdiction in which the said owner is located under a fair market value or a similar regime based on the annual changes in the fair value of its ownership interests in the investment entity or the insurance investment entity and the tax rate applicable to the constituent entity-owner on such income equals or exceeds 15 per cent.
(3) A constituent entity that indirectly owns an ownership interest in an investment entity or in an insurance investment entity through a direct ownership interest in another investment entity or an insurance investment entity shall be considered to be subject to tax under a fair market value or similar regime with respect to the indirect ownership interest thereof in the first-mentioned investment entity or insurance investment entity where the said constituent entity is subject to a fair market value or similar regime with respect to the direct ownership interest thereof in the second-mentioned investment entity or insurance investment entity.
(4) The election under Paragraph (2) shall be made according to Article 260aa24 (1) herein. In case the election is revoked, any gain or loss from the disposal of assets or liabilities of the investment entity or the insurance investment entity shall be determined on the basis of the fair market value of the assets or liabilities on the first day of the year wherein the revocation is made.

Election to Apply Taxable Income Distribution Regime

Article 260aa15. (New, SG No. 106/2023, effective 1.01.2024) (1) At the election of the filing constituent entity according to Article 260aa24 (1) herein, a constituent entity-owner of an investment entity may apply a taxable income distribution regime with respect to the ownership interest thereof in the investment entity, provided that the constituent entity-owner is not an

investment entity and can be expected to be subject to tax on the income distributed by the investment entity at a tax rate that equals or exceeds 15 per cent.
(2) Under the taxable distribution regime, income distributions or deemed distributions of the qualifying income of an investment entity shall be included in the qualifying income of the constituent entity-owner whereto the income was distributed, provided that the said constituent entity-owner is not an investment entity.
(3) The covered taxes of the investment entity whereby the tax liability of the constituent entity-owner arising from the income distribution by the investment entity can be reduced shall be included in the qualifying income and adjusted covered taxes of the constituent entity-owner whereto the income was distributed.
(4) The share of the constituent entity-owner in the undistributed net qualifying income of the investment entity referred to in Paragraph (6) arising in the third year preceding the tax period, hereinafter referred to as the "tested year", shall be treated as qualifying income of the said investment entity for the tax period. For the purposes of Chapter Thirty-Four A herein, 15 per cent of such qualifying income shall be treated as top-up tax for the tax period of a low-taxed constituent entity.
(5) The qualifying income or loss of an investment entity and the adjusted covered taxes attributable to such income for the fiscal year shall not be taken into account when determining an effective tax rate according to Chapter Thirty-Four E and Article 260aa13 (1) to (5) herein, except for the covered taxes referred to in the Paragraph (3).
(6) The undistributed net qualifying income of an investment entity for the tested year shall be the qualifying income of the said investment entity for the tested year reduced, up to zero, by:
1. the covered taxes of the investment entity;
2. distributions and deemed distributions to shareholders that are not investment entities during the period starting with the first day of the third year preceding the tax period and ending on the last day of the reporting tax period wherein the ownership interest was held, hereinafter referred to as the "testing period";
3. qualifying losses arising during the testing period;
4. any residual amount of qualifying losses constituting an investment loss carry-forward that has not reduced the undistributed net qualifying income of the said investment entity for a previous tested year.
(7) The undistributed net qualifying income of an investment entity shall not be reduced by distributions or deemed distributions that already reduced the undistributed net qualifying income of the said investment entity for a previous tested year according to Item 2 of Paragraph (6).
(8) The undistributed net qualifying income of an investment entity shall not be reduced by the amount of qualifying losses that already reduced the undistributed net qualifying income of the said investment entity for a previous tested year according to Item 3 of Paragraph (6).
(9) For the purposes of this Article, a deemed income distribution shall be treated as having arisen when a direct or indirect ownership interest in the investment entity is transferred to an entity that does not belong to the multinational enterprise group or large-scale domestic enterprise group. The deemed income distribution shall be treated as equal to the share of the undistributed net qualifying income that corresponds to the amount of the transferred ownership interest by the date of the said transfer, determined without regard to the deemed distribution.
(10) If the election under Paragraph (1) is revoked, the share of the constituent entity-owner in the undistributed net qualifying income of the investment entity for the tested year at the end of the tax period preceding the tax period wherein the revocation is made shall be treated as qualifying income of the investment entity for the tax period. For the purposes of Chapter Thirty-Four A herein, 15 per cent of such qualifying income shall be treated as top-up tax for the tax period of a low-taxed constituent entity.

Chapter Thirty-Four "i"
(New, SG No. 106/2023, effective 1.01.2024)
TRANSITION RULES

Section I
(New, SG No. 106/2023, effective 1.01.2024)
General Rules

Tax Treatment of Deferred Tax Assets and Liabilities and of Transferred Assets upon Transition

Article 260aa16. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article, a "transition period" for a jurisdiction shall be the first tax period in which a multinational enterprise group or a large-scale domestic enterprise group fulfils the conditions under Article 260a (2) herein in respect of the said jurisdiction.
(2) When determining the effective tax rate for a the effective tax rate for a jurisdiction in a transition period and for each subsequent transition period, the multinational enterprise group or a large-scale domestic enterprise group shall take into account all the deferred tax assets and liabilities reported or disclosed in the financial statements of the constituent entities in the said jurisdiction for the transition period. Deferred tax assets and liabilities shall be determined at the lower of 15 per cent and the tax rate applicable in the jurisdiction. Where a deferred tax asset has been recorded at a tax rate lower than 15 per cent, the said asset may be recalculated at a tax rate of 15 per cent where the taxable person is able to demonstrate that the deferred tax asset is attributable to a qualifying loss. The impact of valuation adjustments or accounting recognition adjustments with respect to a deferred tax asset shall be disregarded.
(3) Deferred tax assets arising from items excluded when determining qualifying income or loss according to Chapter Thirty-Four C herein shall be disregarded for the purposes of Paragraph (2) when such deferred tax assets are generated in connection with a business transaction that takes place after the 30th day of November 2021.
(4) Upon the transfer of assets between constituent entities that takes place after the 30th day of November 2021 and before the commencement of a transition period, the value of the acquired assets, other than inventory, shall equal the carrying value of the said assets at the disposing constituent entity, with the value of the deferred tax assets and liabilities related to the said assets being determined on the same basis.

Relief for Substance-Based Income Exclusion upon Transition

Article 260aa17. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purpose of Article 260y (3) herein, the value of 5 per cent shall be replaced as follows for each tax period beginning from the 31st day of December of the following calendar years:

2023	10.0 per cent
2024	9.8 per cent
2025	9.6 per cent
2026	9.4 per cent
2027	9.2 per cent
2028	9.0 per cent
2029	8.2 per cent
2030	7.4 per cent

2031	6.6 per cent
2032	5.8 per cent

(2) For the purposes of Article 260y (4) herein, the value of 5 per cent shall be replaced as follows for each tax period beginning from the 31st day of December of the following calendar years:

2023	8.0 per cent
2024	7.8 per cent
2025	7.6 per cent
2026	7.4 per cent
2027	7.2 per cent
2028	7.0 per cent
2029	6.6 per cent
2030	6.2 per cent
2031	5.8 per cent
2032	5.4 per cent

Exclusion from Application of Top-up Tax under Income Inclusion Rule and Undertaxed Profit Rule in Initial Phase of International Activity of Multinational Enterprise Groups and Large-Scale Domestic Enterprise Groups

Article 260aa18. (New, SG No. 106/2023, effective 1.01.2024) (1) The top-up tax due according to Item 2 of Article 260f (1) herein by an ultimate parent entity located in the country, or according to Item 2 of Article 260f (4) herein by an intermediate parent entity located in the country, when the said ultimate parent entity is an excluded entity, shall be reduced to zero:
1. in the first five years of the initial phase of the international activity of the multinational enterprise group, notwithstanding Chapter Thirty-Four E herein;
2. in the first five years, starting from the first day of the tax period wherein the large-scale domestic enterprise group fulfils the conditions under Article 260a (2) herein for the first time.
(2) Notwithstanding Chapter Thirty-Four E herein, where the ultimate parent entity of a multinational enterprise group is located in a jurisdiction outside the European Union, the top-up tax due according to Article 260k (2) herein by a constituent entity of the group located in the country shall be reduced to zero in the first five years of the initial phase of the international activity of the said multinational enterprise group.
(3) A multinational enterprise group shall be in an initial phase of the international activity thereof where, for a fiscal year, the following conditions are simultaneously fulfilled:
1. the constituent entities of the group are located in no more than six jurisdictions;
2. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the sum of the net book value of the tangible assets of all the constituent entities of the group except those located in the reference jurisdiction does not exceed EUR 50,000,000.
(4) Reference jurisdiction, as referred to in Paragraph (3), shall be the jurisdiction in which the net book value of the tangible assets of all the constituent entities of the multinational enterprise group in the said jurisdiction is the highest in the tax period wherein the said group fulfils the conditions under Article 260a (2) herein for the first time.
(5) The five-year period referred to in Item 1 of Paragraph (1) and Paragraph (2):
1. shall start from the beginning of the tax period wherein the multinational enterprise group fulfils the conditions under Article 260a (2) herein for the first time;

2. with regard to multinational groups for which the conditions under Article 260a (2) herein are fulfilled by the date of entry into force of this Part, the five-year period referred to in Item 1 of Paragraph (1) shall start on the 31st day of December 2023, and the five-year period referred to in Paragraph (2) shall start on the 31st day of December 2024;
3. with regard to large-scale domestic enterprise groups for which the conditions under Article 260a (2) herein are fulfilled by the date of entry into force of this Part, the five-year period referred to in Item 1 of Paragraph (1) shall start on the 31st day of December 2023.
(6) The designated filing entity referred to in Article 260aa23 herein shall inform the tax administration of the Member State of the European Union in which the said entity is located of the start of the five-year period of the initial phase of international activity of the multinational enterprise group.

Relief for Filing Obligation

Article 260aa19. (New, SG No. 106/2023, effective 1.01.2024) Notwithstanding Article 260aa23 (7) herein, the information return and the notifications referred to in Article 260aa23 herein shall be filed no later than 18 months after the last day of the tax period that is a transition period according to Article 260aa16 herein.

Section II
(New, SG No. 106/2023, effective 1.01.2024)
Transitional Safe Harbour

General Provisions

Article 260aa20. (New, SG No. 106/2023, effective 1.01.2024) (1) The filing constituent entity may elect that the top-up tax of a multinational enterprise group under Article 260a (2) herein in a jurisdiction be reduced to zero for tax periods beginning on or before the 31st day of December 2026 and ending on or before the 30th day of June 2028 where one of the following conditions is fulfilled:
1. (amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) the total revenue and profit before tax of the group in the said jurisdiction as reflected in the qualified country-by-country report of the said group provided for the purposes of the automatic exchange of country-by-country reports are less than EUR 10,000,000 and less than EUR 1,000,000, respectively; when determining the amount of revenue of the group, entities held for sale shall be taken into account as well;
2. the simplified effective tax rate of the group in the said jurisdiction is equal to or greater than the transition rate;
3. the profit before tax of the said group in the said jurisdiction as reflected in the qualified country-by-country report of the said group provided for the purposes of the automatic exchange of country-by-country reports is equal to or less than the amount of the substance-based income exclusion of the group in the said jurisdiction, determined according to the procedure established by Article 260y herein; only constituent entities that are located in the said jurisdiction under the rules on the automatic exchange of country-by-country shall be taken into account for the purposes of this item; entities held for sale, as well as excluded entities under Article 260a (4) herein, shall not be taken into account for the purposes of this item.
(2) Entities that are deemed to be located in two jurisdictions for the purposes of the automatic exchange of country-by-country reports or for the purposes of this Part shall not be taken into account for the purposes of Paragraph (1).

(3) Where the filing constituent entity fails to make an election according to Paragraph (1) for a tax period, such an election may not be made for subsequent tax periods.
(4) Where any of the conditions referred to in Items 1 to 3 of Paragraph (1) for a tax period, Paragraph (1) may not be applied for subsequent tax periods.
(5) Paragraphs (3) and (4) shall not apply where not a single entity of the multinational enterprise group was located in the jurisdiction during the previous tax period.
(6) Where after the election under Paragraph (1) has been made it is established that any of the conditions referred to in Items 1 to 3 of Paragraph (1) was not fulfilled but the said condition was deemed to be fulfilled in the tax period of the election, the provisions of this Part shall apply for the tax period of the election and for all subsequent tax periods for which the safe harbour under this Section was used as if the said Section were not applied.
(7) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) A net unrealised loss arising from a change in the fair value of ownership interests whereof the amount exceeds EUR 50,000,000, shall be excluded from the profit or loss before tax as reflected in the qualified country-by-country report of the said group provided for the purposes of the automatic exchange of country-by-country reports. Sentence one shall not apply where the ownership interest is a portfolio shareholding. For the purposes of sentence one, an unrealised loss arising from a change in the fair value of ownership interests shall be the excess of all losses over all gains which arise from a change in the fair value of such ownership interests.

Special Treatment of Certain Entities

Article 260aa21. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of Article 260aa20 herein, joint ventures and joint venture subsidiaries referred to in Article 260aa8 herein shall be deemed to be constituent entities of a separate multinational enterprise group. The profit or loss before tax, the revenue and the simplified covered taxes of such constituent entities shall be the ones reflected in the qualified country-to-country report of the group provided for the purposes of the automatic exchange of country-by-country reports.
(2) Where the ultimate parent constituent entity is a tax transparent entity, Article 260aa8 herein shall not apply to the jurisdiction where the said entity is located. Sentence one shall not apply where the holders of an ownership interest in the ultimate parent entity fulfil the conditions under Items 1 and 2 of Article 260aa10 (1) herein and Items 1 and 2 of Article 260aa10 (2) herein.
(3) Where the ultimate parent entity is a tax transparent entity or is subject to tax in accordance with a deductible dividend tax regime according to Article 260aa11 herein, the profit before tax of the said entity, as well as the taxes associated with the said profit shall be reduced according to Article 260aa10 and Article 260aa11 herein to the extent where such amount is attributable to the holders of an ownership interest in the ultimate parent entity that fulfil the conditions under Items 1 and 2 of Article 260aa10 (1) herein and Items 1 and 2 of Article 260aa10 (2) herein and under Items 1 and 2 of Article 260aa11 (2) and Items 1 and 2 of Article 260aa11 (3) herein.
(4) Article 260aa20 herein shall not apply to an investment entity which respect to which an election is made according to Article 260aa14 and Article 260aa15 herein. For the purposes of this Section, upon application of Article 260aa20 herein to an investment entity, Article 260aa13 (1) herein shall not apply when fulfilment of the conditions under Article 260aa20 (1) herein is being established. For the purposes of this paragraph, an investment entity shall include an insurance investment entity.
(5) This Section shall not apply to:
1. stateless entities;
2. multi-parented multinational groups for which a qualified country-to-country report covering all subgroups of any such group is not submitted through the automatic exchange of country-by-country reports;

3. jurisdictions in which entities are located with respect to which an election was made according to Article 260aa12 herein.

Definitions

Article 260aa22. (New, SG No. 106/2023, effective 1.01.2024) For the purposes of this Section:
1. "qualified country-by-country report" shall be the country-by-country report of a multinational enterprise group provided for the purposes of the automatic exchange of country-by-country reports that is prepared using qualified financial statements;
2. "qualified financial statement" shall be:
(a) the accounting records used to prepare the consolidated financial statement of the multinational enterprise group before any consolidation adjustments eliminating intra-group transactions;
(b) the separate financial statement of each constituent entity prepared in accordance with acceptable or authorised accounting standards, provided that the information contained in the said statement is maintained in accordance with the said accounting standards and is reliable;
(c) the accounting records of a constituent entity used for preparation of the country-by-country report of the group provided for the purposes of the automatic exchange of country-by-country reports, where the said constituent entity is not included in the consolidated financial statement of the multinational enterprise group on a line-by-line basis solely due to size or materiality grounds;
3. "simplified covered taxes" shall be the income tax expense of the multinational enterprise group in the jurisdiction according to the qualified financial statement of the group, disregarding any taxes that are not covered taxes and disregarding any taxes relating to an uncertain tax position;
4. "simplified effective tax rate" shall be the ratio of the simplified covered taxes to the profit before tax of the multinational enterprise group in the jurisdiction as reported on the qualified country-by-country report of the group provided for the purposes of the automatic exchange of country-by-country reports;
5. "transitional tax rate" shall be:
(a) 15 per cent for tax periods beginning in 2024;
(b) 16 per cent for tax periods beginning in 2025;
(c) 17 per cent for tax periods beginning in 2026.

Chapter Thirty-Four "j"
(New, SG No. 106/2023, effective 1.01.2024)
ADMINISTRATIVE PROVISIONS

Filing Obligation

Article 260aa23. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Article:
1. "designated local entity" shall be a constituent entity of a multinational enterprise group or of a large-scale domestic enterprise group that is located in the country and has been appointed by the other constituent entities of the group located in the country to file the information return or submit the notifications according to this Article on behalf of the said entities;
2. "special competent authority agreement" shall be a bilateral or multilateral agreement or arrangement between two or more competent authorities that provides for the automatic exchange of annual information returns.
(2) A constituent entity located in the country shall file an information return referred to in Paragraph (6) with the Executive Director of the National Revenue Agency. The information return shall be submitted electronically and in a format endorsed by order of the Executive Director of the National Revenue Agency which shall be published on the website of the National Revenue Agency.

(3) The information return referred to in Paragraph (6) may be filed by the designated local entity referred to in Item 1 of Paragraph (1) on behalf of the constituent entity.
(4) Paragraphs (2) and (3) shall not apply where the information return referred to in Paragraph (6) has been filed by:
1. the ultimate parent entity located in a jurisdiction that has, for the tax period concerned, a special competent authority agreement in effect whereto the Republic of Bulgaria is a party, or
2. the designated filing entity located in a jurisdiction that has, for the tax period, a special competent authority agreement in effect whereto the Republic of Bulgaria is a party.
(5) For the purposes of Paragraph (4), the constituent entity located in the country or the designated local entity referred to in Item 1 of Paragraph (1) shall submit a notification to the Executive Director of the National Revenue Agency of the identification data on the entity that is filing the information return referred to in Paragraph (6), as well as of the jurisdiction in which the said entity is located and in which the information return is filed.
(6) The top-up tax information return shall contain the following information on a multinational enterprise group or a large-scale domestic enterprise group:
1. identification data on the constituent entities, including the tax identification numbers thereof, if any, the jurisdiction in which the said entities are located and the status of the said entities according to the provisions of this Part;
2. information on the overall corporate structure of the multinational enterprise group or large-scale domestic enterprise group, including the controlling interests in the constituent entities held by other constituent entities;
3. the information that is necessary in order to determine:
(a) the effective tax rate for each jurisdiction and the top-up tax of each constituent entity;
(b) the top-up tax of a member of a joint venture group;
(c) the allocation among jurisdictions of top-up tax according to the top-up tax under the Income Inclusion Rule top-up tax and the amount of Undertaxed Profit Rule top-up tax;
4. a record of the elections made according to this Part.
(7) Paragraph (6) shall not apply where a constituent entity located in the country whereof the ultimate parent entity is located in a jurisdiction outside the European Union that applies rules which have been assessed by the European Commission pursuant to Article 52 of Directive (EU) 2022/2523 as equivalent to the rules of the said Directive. In such case, the constituent entity or the designated local entity referred to in Item 1 of Paragraph (1) shall file an information return containing the following information:
1. the information that is necessary for the application of Article 260f (6) and (7) herein, including:
(a) identification of all the constituent entities in which a partially-owned parent entity located in a Member State of the European Union holds, directly or indirectly, an ownership interest at any time during the tax period, as well as the structure of such ownership interests;
(b) all information that is necessary to determine the effective tax rate of the jurisdictions in which a partially-owned parent entity located in the country holds ownership interests in constituent entities referred to in Littera (a), as well as to determine the top-up tax due;
(c) the information that is necessary for the application of Littera (b) according to Article 260g, Article 260h or Article 260x herein;
2. (effective 1.01.2025 - SG No. 106/2023) the information that is necessary for the application of Article 260j herein, including:
(a) identification of all the constituent entities located in the jurisdiction of the ultimate parent entity, as well as the structure of such ownership interests;
(b) the information that is necessary in order to calculate the effective tax rate of the jurisdiction of the ultimate parent entity and the top-up tax due by the said entity, and
(c) the information necessary for the allocation of such top-up tax according to the formula under Article 260k herein;
3. the information that is necessary for the application of a qualified domestic top-up tax.

(8) The information return referred to in Paragraphs (6) and (7) and the relevant notifications shall be filed no later than 15 months after the last day of the reporting tax period.
(9) A taxable person referred to in Article 260f herein shall submit a tax return in a standard form on the top-up tax for the relevant tax period at the National Revenue Agency territorial directorate exercising competence over the place of registration within the time limit referred to in Paragraph (8) except in the cases under Article 260aa19 herein, in which the tax return shall be submitted within the time limit referred to in Article 260aa19 herein.
(10) The taxable person referred to in Paragraph (9) shall remit the top-up tax for the relevant tax period within the time limit referred to in Paragraph (8) except in the cases under Article 260aa19 herein, in which the tax return shall be submitted within the time limit referred to in Article 260aa19 herein.

Elections

Article 260aa24. (New, SG No. 106/2023, effective 1.01.2024) (1) The election referred to in Article 260a (5), Article 260m (3) to (6), (10) to (12) and (18), Article 260aa14 and Article 260aa15 herein shall be valid for a period of five years, including the year in which the said election is made. The election shall be renewed automatically unless the designated filing entity revokes the said election at the end of the five-year period. A revocation of the election shall be valid for a period of five years, starting from the end of the year in which the said revocation is made.
(2) The election referred to in Article 260m (13) to (16), Item 2 of Article 260s (1), Article 260v (1), Article 260y (2), Article 260aa1 (1) and Article 260aa12 (1) herein shall be valid for a period of one year. The election shall be renewed automatically unless the filing constituent entity revokes the said election at the end of the year.
(3) The election under Paragraph (1) and (2) shall be made to the tax administration of the Member State of the European Union in which the filing constituent entity is located.

Chapter Thirty-Four "k"
(New, SG No. 106/2023, effective 1.01.2024)
DOMESTIC TOP-UP TAX

Taxable Persons

Article 260aa25. (New, SG No. 106/2023, effective 1.01.2024) The following shall owe domestic top-up tax for the tax period:
1. the low-taxed constituent entities referred to in Article 260a (2) herein with the exception of the entities referred to in Article 260a (4) herein;
2. the taxable persons referred to in Item 2 of Article 260f (1), Item 4 of Article 260f (2) and Item 2 of Article 260f (4) herein liable for top-up tax in respect of themselves, where the said persons are low-taxed;
3. the joint ventures and joint venture subsidiaries and the permanent establishments of joint ventures located in the country; for the purposes of this Article, the share of the parent entity under Article 260aa8 (2) herein in the top-up tax of a joint venture or a joint venture subsidiary shall equal 100 per cent.

Determining Amount of Domestic Top-up Tax

Article 260aa26. (New, SG No. 106/2023, effective 1.01.2024) (1) The amount of the domestic top-up tax shall equal:
1. the top-up tax determined according to Article 260x (5) herein: in respect of the persons referred to in Items 1 and 2 of Article 260aa25 herein, and
2. the top-up tax under Article 260x (5) herein determined according to Article 260aa8 herein: in respect of the persons referred to in Item 3 of Article 260aa25 herein.

(2) For the purposes of Paragraph (1), Article 260x shall apply without regard to the domestic top-up tax.
(3) For the purposes of Paragraph (1), when determining the substance-based income exclusion, Article 260aa17 (1) herein shall not apply, Article 260x (3) herein shall apply by replacing the value of 5 per cent with zero, and Article 260x (4) herein shall apply by replacing the value of 5 per cent for the period from 2023 to 2032 with the values indicated in Article 260aa17 (2) herein.

Specific Rules

Article 260aa27. (New, SG No. 106/2023, effective 1.01.2024) (1) For the purposes of this Chapter, Article 260u (1) and (3) to (5) herein shall not apply except in the cases of tax withheld at source in the country from persons referred to in Article 260aa25 herein, which is levied on income from dividends and shares in a liquidation surplus, Article 260a1 and Article 260aa18 herein.
(2) Where the consolidated financial statement of the ultimate parent entity of a multinational enterprise group has been prepared on the basis of acceptable accounting standards other than the International Accounting Standards as adopted by Regulation (EC) No. 1606/2002, for the purposes of this Chapter the top-up tax referred to in Article 260x (5) herein shall be determined in the manner in which the said tax would have been determined in case the ultimate parent entity were obliged to prepare the consolidated financial statement in accordance with the International Accounting Standards as adopted by Regulation (EC) No. 1606/2002 of with the National Accounting Standards.
(3) For the purposes of Article 260aa26 herein, the top-up tax referred to in Article 260x (5) herein in respect of the taxable persons referred to in Article 260aa25 herein in the cases referred to in Paragraph (2) shall be determined according to the procedure established by Chapters Thirty-Four C to Thirty-Four G herein, the said taxable persons being treated as constituent entities of a separate multinational enterprise group or large-scale domestic enterprise group and one of the said persons being the ultimate parent entity of the said group. The ultimate parent entity shall be determined by the constituent entities.
(4) For the purposes of determining the domestic top-up tax, Chapters Thirty-Four A to Thirty-Four J herein shall apply, mutatis mutandis, subject to the provisions of this Chapter.

Declaring of Tax

Article 260aa28. (New, SG No. 106/2023, effective 1.01.2024) A taxable person referred to in Article 260aa25 herein shall submit a tax return in a standard form on the domestic top-up tax for the relevant tax period at the National Revenue Agency territorial directorate exercising competence over the place of registration within 15 months after the last day of the tax period or within 18 months after the last day of the tax period that is a transition period according to Article 260aa16 herein.

Tax Remittance

Article 260aa29. (New, SG No. 106/2023, effective 1.01.2024) A taxable person referred to in Article 260aa25 herein shall remit the domestic top-up tax for the relevant tax period within the time limit for declaring under Article 260aa28 herein.

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 for each violation.

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, amended and supplemented, SG No. 100/2013, effective 1.01.2014, amended, SG No. 106/2023, effective 1.01.2024) Any taxable person, which effects a hidden profit distribution and fails to indicate this circumstance in the tax return thereof, shall be liable to a pecuniary penalty to the amount of 20 per cent of the sum constituting a hidden profit distribution.

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) (Supplemented, SG No. 66/2023, effective 1.01.2024) Any person, which has provided employers with food vouchers in paper form and/or on an electronic medium 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 in paper form and/or on an electronic medium provided to employers within the individual quota received over the said individual quota but in any case not less than BGN 2,000.
(2) (Supplemented, SG No. 66/2023, effective 1.01.2024) Any person, which has provided employers with food vouchers in paper form and/or on an electronic medium 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 in paper form and/or on an electronic medium provided to employers but in any case not less than BGN 2,000.
(3) (New, SG No. 94/2012, effective 1.01.2013, supplemented, SG No. 66/2023, effective 1.01.2024) Any person, which has provided employers with food vouchers in paper form and/or on an electronic medium that do not conform to the terms and procedure for printing of food vouchers in paper form and/or on an electronic medium, established by the Ordinance referred to in Article 209 (6) and Article 209a (6) herein, shall be liable to a pecuniary penalty to an amount equivalent to the nominal value of the food vouchers in paper form and/or on an electronic medium provided but not less than BGN 2,000.

Article 277b. (New, SG No. 106/2008, effective 1.01.2009, supplemented, SG No. 66/2023, effective 1.01.2024) Any food voucher operator in paper form and/or on an electronic medium, which fails to submit a statement on the vouchers in paper form and/or on an electronic medium provided and paid (cashed in), shall be liable to a pecuniary penalty of BGN 1000 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, supplemented, SG No. 66/2023, effective 1.01.2024) Any operator of food vouchers in paper form and/or on an electronic medium, which fails to fulfil the requirements of Article 209 (8) and Article 209a (8) herein for payments in connection with food vouchers in paper form and/or on an electronic medium 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 authorised 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.

Article 279. (New, SG No. 106/2023, effective 1.01.2024) (1) Any person referred to in Article 260f, Article 260aa23 (2) and (3) and Article 260aa25 herein, which fails to file a return under Article 260aa23 (6), (7) and (9) herein or under Article 260aa28 herein, shall be liable to a pecuniary penalty of BGN 100,000 or exceeding this amount but not exceeding BGN 200,000. Any repeated violation shall be punishable by a pecuniary penalty of BGN 200,000 or exceeding this amount but not exceeding BGN 300,000.
(2) Any person referred to in Article 260f, Article 260aa23 (2) and (3) and Article 260aa25 herein, which fails to state or misstates in the returns referred to in Article 260aa23 (6), (7) and (9) or in Article 260aa28 herein any particulars or circumstances leading to determination of the top-up tax due or of a domestic top-up tax in a lesser amount or to undue reduction or exemption from any such tax, shall be liable to a pecuniary penalty of BGN 50,000 or exceeding this amount but not exceeding BGN 150,000. Any repeated violation shall be punishable by a pecuniary penalty of BGN 100,000 or exceeding this amount but not exceeding BGN 250,000.
(3) Any constituent entity located in the country, or the designated local entity, which fails to fulfil the notification obligation thereof under Article 260aa23 (5) herein, shall be liable to a pecuniary penalty of BGN 10,000 and, upon a repeated commission of the violation, to a pecuniary penalty of BGN 15,000.
(4) Paragraphs (1) and (2) shall furthermore apply in the cases where any person referred to in Article 260aa23 (4) herein fails to file an information return according to Article 260aa23 herein, except in the cases under Paragraph (5).
(5) Paragraphs (1) and (2) shall not apply for tax periods beginning on or before the 31st day of December 2026 and ending on or before the 30th day of June 2028 with regard to a return referred to in Article 260aa23 (6) and (7) herein, where the person is able to demonstrate that reasonable efforts have been made to file the return for the relevant tax period.

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 within which 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 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.
16a. (New, SG No. 106/2023, effective 1.01.2024) "Net accounting financial result" for the purposes of Part Five A herein shall be the profit (loss) according to the profit-and-loss account (income statement) for a specified after charging the tax expenses on the profit.
17. "Non-distributable 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 corporate tax retention is enjoyable, or
(b) subject to levy of corporate 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 corporate 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 that is 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 that is Party to the Agreement on the European Economic Area;
(e) (new, SG No. 104/2020, effective 1.01.2021) in shares, effected on the market of a third country, which is considered to be equivalent to a regulated market and in respect of which the European Commission has adopted a decision regarding the equivalence of the third country’s legal and supervisory framework in accordance with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173/349 of 12 June 2014).
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 abroad", 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, SG No. 99/2022, effective 1.01.2023) "Initial investment" shall be an investment in new tangible and intangible assets, which are eligible costs related to one or more of the following activities:
1. the setting up of a new production site;
2. the extension of the capacity of an exiting production site;
3. the diversification of the output of a production site into products not previously produced in the site;
4. (amended, SG No. 99/2022, effective 1.01.2023) a fundamental change in the overall production process of the product(s) concerned by the investment in the production site.
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, SG No. 106/2023, effective 1.01.2023) "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 given by Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187/1 of 26 June 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, 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 customary limits 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, amended and supplemented, SG No. 66/2023, effective 1.01.2024) "Operator" within the meaning given by Article 209 and Article 209a herein, shall be any person which has obtained authorisation from the Minister of Finance and which engages in the activities of issued, organising, control and settlement in connection with food vouchers in paper form and/or on an electronic medium according to a procedure established by an ordinance of the Minister of Labour and Social Policy and the Minister of Finance, in coordination with the Bulgarian National Bank.
36. (Supplemented, SG No. 66/2023, effective 1.01.2024) "Food vouchers in paper form" 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.
36a. (New, SG No. 66/2023, effective 1.01.2024) "Food vouchers on an electronic medium" shall be payment instruments that can only be used in a limited way and meet the conditions set out in Article 2(1)(11)(c) of the Payment Services and Payment Systems Act, provided through the employer to factory and office workers, including to persons hired under management contracts, which are used to pay for food and food products in restaurants, fast-food outlets and food trading establishments, including grocery stores, supermarkets, hypermarkets and others, operating in accordance with the requirements of the Food Act, according to a contract for provision of services concluded with an operator. Food vouchers on an electronic medium are not electronic money within the meaning of the Payment Services and Payment Systems Act. An electronic medium may be a physical electronic medium or a virtual electronic medium, and only an operator shall upload food vouchers in it.
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 30.11.2010) 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 penalised 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 costs of tangible 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 finance 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, amended, SG No. 99/2022, effective 1.01.2023) "Eligible costs of intangible 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 other intellectual property.
48. (New, SG No. 110/2007, effective 1.01.2007, amended, SG No. 70/2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) "Large investment project" shall be an initial investment which includes eligible costs of tangible and intangible assets combined in an economically indivisible way, where the eligible costs exceed the lev equivalent of EUR 50 million. 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 that is 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 have the meaning given to these terms by 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 that is party to the Agreement on the European Economic Area" for the purposes of assessing the corporate tax under Article 202a (2) herein shall have the meaning given to these terms by 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, amended, SG No. 66/2023, effective 1.01.2024) "Total annual quota for provision of food vouchers in paper form and on an electronic medium" shall be the total nominal value of the food vouchers in paper form and on an electronic medium for the relevant year, which operators may provide to employers under the terms established by Article 209 and Article 209a herein
62. (New, SG No. 94/2010, effective 1.01.2011, amended, SG No. 66/2023, effective 1.01.2024) "Individual quota for provision of food vouchers in paper form and on an electronic medium" shall be the nominal value of the food vouchers in paper form and on an electronic medium 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, supplemented, SG No. 14/2021, effective 17.02.2021) "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 L 64/1 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 corporate 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 corporate 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.
Preferential tax treatment jurisdictions shall also be the states/territories included in the List of the European Union of the non-cooperative jurisdictions for tax purposes.
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 have the meaning given to these terms by Items 1 and 15 of Article 93 of the Criminal Code.
67. (New, SG No. 94/2012, effective 1.01.2013, amended, SG No. 69/2020) "Date of suspension of activity by an organiser 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 National Revenue Agency
68. (New, SG No. 94/2012, effective 1.01.2013, amended, SG No. 69/2020) "Date of resumption of activity by an organiser 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 licence granted by the Executive Director the National Revenue Agency.
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 corporate 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, SG No. 99/2022, effective 1.01.2023, SG No. 106/2023, effective 1.01.2023) "Large enterprises", for the purposes of Article 189b shall be enterprises which do not fulfil the criteria laid down in Annex I to Commission Regulation (EU) No 2022/2472 of 14 December 2022 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 327/1 of 21 December 2022).

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 "Financial Regulations for the National Assembly Budget" to the Rules of organisation and Procedure of the National Assembly.
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, amended, SG No. 99/2022, effective 1.01.2023) "Steel sector" ", for the purposes of Item 1 of Article 182 (1) herein, shall have the meaning given to these terms by Annex VI to the Guidelines on regional State aid (2021/C 153/01).
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, amended and supplemented, SG No. 99/2022, effective 1.01.2023) "Single investment project" shall be any initial investment related to the same or a similar activity started by the same taxable person (at group level) within three years of the date of start of works on another aided investment in the same NUTS 3 region, designated 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, amended by Commission Delegated Regulation 2019/1755 of 8 August 2019 amending the Annexes 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 (NUTS) (OJ L 270/1 of 24 October 2019).
80. (New, SG No. 95/2015, effective 1.01.2016, amended, SG No. 99/2022, effective 1.01.2023) "Transport", for the purposes of Item 1 of Article 182 (1) herein, shall be transport of passengers by aircraft, maritime transport, road, railway and by inland waterway or freight transport services for hire or reward.
81. (New, SG No. 95/2015, effective 1.01.2016, amended, SG No. 99/2022, effective 1.01.2023) "Airports", for the purposes of Item 28, shall be those according to the Guidelines on State aid to airports and airlines (2014/C 99/03) (OJ C 99/3 of 4 April 2014).
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, SG No. 14/2022, effective 1.01.2022) "Associated enterprise", for the purposes of Article 2 (4) and (5), Article 47c and of Chapter Nine B 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.
(Supplemented, SG No. 14/2022, effective 1.01.2022) For the purposes of Article 2 (4) and (5) and Chapter Nine B herein:
(Supplemented, SG No. 14/2022, effective 1.01.2022) In the cases of Article 2 (4) and (5), 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, SG No. 14/2022, effective 1.01.2022, amended, SG No. 106/2023, effective 1.01.2024) "Entity", for the purposes of Article 2 (4) and (5), Chapter Nine A, Chapter Nine B and Part Five A herein, 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, amended, SG No. 25/2022, effective 29.03.2022) "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 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, supplemented, SG No. 14/2022, effective 1.01.2022) "Hybrid entity", for the purposes of Article 2 (4) and (5) and 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, amended, SG No. 106/2023, effective 1.01.2024) "Transfer of assets/business", for the purposes of Articles 155 to 155d herein, shall be an operation whereby the Republic of Bulgaria loses the right to tax the result of a subsequent disposal 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.
114. (New, SG No. 99/2022, effective 1.01.2023) "Micro, small or medium-sised enterprise", for the purposes of Article 189 herein, shall be an enterprise which fulfils the criteria laid down in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sised enterprises (OJ L 124/36 of 20 May 2003).
115. (New, SG No. 99/2022, effective 1.01.2023) "Lignite", for the purposes of Article 182 herein, shall be low-rank C or Ortho-lignite and low-rank B or Meta lignite as defined by the international codification system for coal established by the United Nations Economic Commission for Europe.
116. (New, SG No. 99/2022, effective 1.01.2023) "Coal", for the purposes of Article 182 herein, shall be high-grade, medium grade and low grade category A and B coal as defined by the

international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines (OJ L 336/24 of 21 December 2010).
117. (New, SG No. 99/2022, effective 1.01.2023) "Broadband networks", for the purposes of Article 182 herein, shall be those according to the EU Guidelines for the application of State aid rules in relation to the rapid deployment of broadband networks (2013/C 25/01) (OJ C 25/1 of 26 January 2013).
118. (New, SG No. 99/2022, effective 1.01.2023) "Fisheries and aquaculture", for the purposes of Article 182 herein, shall be the fisheries and aquaculture sector according to Regulation (EU) No. 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No. 1184/2006 and (EC) No. 1224/2009 and repealing Council Regulation (EC) No. 104/2000 (OJ L 354/1 of 28 December 2013).
119. (New, SG No. 66/2023, effective 1.01.2023) "Relocation" for the purposes of Article 182(1)(4) shall be a relocation within the meaning of the Guidelines on regional State aid (2021/C 153/01).
120. (New, SG No. 106/2023, effective 1.01.2024) "Constituent entity", for the purposes of Part Five A herein, shall be an entity that is part of a multinational enterprise group or of a large-scale domestic enterprise group or is a permanent establishment of a main entity that is part of a multinational enterprise group.
121. (New, SG No. 106/2023, effective 1.01.2024) "Group", for the purposes of Part Five A herein, shall be:
(a) a collection of entities which are related through ownership or control within the meaning given by acceptable accounting standard in accordance with which the consolidated financial statement of the group has been prepared by the ultimate parent entity, including any entity that has been excluded from the consolidated financial statement of the ultimate parent entity based on small size, on materiality grounds or on the grounds that they are held for sale, or
(b) an entity with one or more permanent establishments, provided that the said entity is not part of another group within the meaning given by Littera (a).
122. (New, SG No. 106/2023, effective 1.01.2024) "Multinational enterprise group", for the purposes of Part Five A herein, shall be a group that includes at least one entity or permanent establishment which is not located in the jurisdiction of the ultimate parent entity.
123. (New, SG No. 106/2023, effective 1.01.2024) "Large-scale domestic enterprise group", for the purposes of Part Five A herein, shall be a group of which all constituent entities are located in the country.
124. (New, SG No. 106/2023, effective 1.01.2024) "Consolidated financial statement", for the purposes of Part Five A herein, shall be:
(a) a financial statement within the meaning given by Item 7 of § 1 of the Supplementary Provisions of the Accountancy Act, prepared in accordance with an acceptable financial accounting standards;
(b) with regard to a group within the meaning given by Item 121 (b): the financial statement within the meaning given by Item 7 of § 1 of the Supplementary Provisions of the Accountancy Act or an analogous provision according to the legislation of the jurisdiction of the entity, prepared by the said entity in accordance with acceptable accounting standards;
(c) the financial statement within the meaning given by Item 7 of § 1 of the Supplementary Provisions of the Accountancy Act, prepared by the ultimate parent entity in accordance with accounting standards which are not acceptable accounting standards but has been adjusted to prevent any material competitive distortion;
(d) where the ultimate parent entity does not prepare a financial statement within the meaning given by Litterae (a) to (c), the financial statement within the meaning given by Litterae (a) to (c) as if the ultimate parent entity were required to prepare such financial statement.
125. (New, SG No. 106/2023, effective 1.01.2024) "Tax period", for the purposes of Part Five A herein, shall be the period with respect to which the ultimate parent entity of a multinational

enterprise group or of a large-scale domestic enterprise group prepares a consolidated financial statement, or the calendar year, where the ultimate parent entity does not prepare a consolidated financial statement.
126. (New, SG No. 106/2023, effective 1.01.2024) "Filing constituent entity" shall be the entity filing an information return according to Article 260aa23 herein.
127. (New, SG No. 106/2023, effective 1.01.2024) "Governmental entity", for the purposes of Part Five A herein, shall be an entity that simultaneously fulfils the following conditions:
(a) it is partly or wholly owned by a State body or a municipal body;
(b) it does not carry on business and has been established for:
(aa) the provision of public services and/or the fulfilment of a government function, or for
(bb) the management or investment of State property or municipal property through the making and holding of investments and State and municipal asset management;
(c) it is accountable to a body of State power or municipal power on the performance of the activity thereof and provides annual information to the said body, and
(d) upon dissolution of the entity, the assets thereof remain State or municipal property and the revenue thereof is entirely distributed to the benefit of the State or the municipality, with no portion of the said revenue inuring to the benefit of any individual.
128. (New, SG No. 106/2023, effective 1.01.2024) "International organisation", for the purposes of Part Five A herein, shall be any intergovernmental organisation, including a supranational organisation, or wholly-owned agency or instrumentality thereof that meets all the following criteria:
(a) it is comprised primarily of governments;
(b) it has in effect a headquarters agreement or substantially similar agreement with the jurisdiction in which it is established, for example arrangements that entitle the offices or establishments of the organisation in that jurisdiction to privileges and immunities;
(c) law or the governing documents of the organisation prevent the income thereof inuring to the benefit of private persons.
129. (New, SG No. 106/2023, effective 1.01.2024) "Non-profit organisation", for the purposes of Part Five A herein, shall be an entity that satisfies the following conditions:
(a) it is established and operated in the jurisdiction of residence thereof:
(aa) exclusively for religious, charitable, scientific, artistic, cultural, athletic, educational or other similar purposes, or
(bb) as a professional organisation, business league, chamber of commerce, labour organisation, agricultural or horticultural organisation, civic league or an organisation operated exclusively for the promotion of social welfare;
(b) the income/profit from the activities mentioned in Littera (a) is exempt from income/profit tax in the jurisdiction of residence thereof;
(c) it has no shareholders or members who have a proprietary or beneficial interest in the income or assets thereof;
(d) the income or assets of the entity may not be distributed to, or applied for the benefit of, a private person or non-charitable entity other than:
(aa) the conduct of the charitable activities of the entity;
(bb) payment of reasonable compensation for services rendered or for the use of property or capital, or
(cc) payment representing the market price of property which the entity has purchased, and
(e) upon termination or liquidation of the entity, all of the assets thereof are to be distributed to or revert to a non-profit organisation or to a State body or municipal body, including any governmental entity, of the jurisdiction of residence of the entity or of any political subdivision of the said jurisdiction;
(f) it does not carry on a business that is not directly related to the purposes for which it was established.

130. (New, SG No. 106/2023, effective 1.01.2024) "Flow-through entity", for the purposes of Part Five A herein, shall be an entity to the extent it is tax transparent with respect to the income, expenditure, profit and loss thereof in the jurisdiction where it was created, unless the said entity is resident for tax purposes and is subject to a covered tax on the income or profit thereof in another jurisdiction.
A flow-through entity may be:
(a) a tax transparent entity with respect to the income, expenditure, profit and loss thereof to the extent that the said entity is treated as tax transparent according to the legislation of the jurisdiction in which the owner thereof is located;
(b) a reverse hybrid entity with respect to the income, expenditure, profit and loss thereof to the extent that the said entity is not treated as tax transparent according to the legislation of the jurisdiction in which the owner thereof is located.
For the purposes of this item, a "Tax transparent entity" shall be an entity whose income, expenditure, profit and loss is treated according to the legislation of a jurisdiction as income, expenditure, profit and loss of the direct owner of the said entity in proportion to the ownership interest thereof in the said entity.
An ownership interest in an entity or a permanent establishment that is a constituent entity shall be treated as held through a tax transparent structure where the said ownership interest is held indirectly through a chain of tax transparent entities.
A constituent entity that is not resident for tax purposes and is not subject to a covered tax or a qualified domestic top-up tax based on the place of management thereof, place of creation thereof or similar criteria shall be treated as a flow-through entity and a tax transparent entity in respect of the income, expenditure, profit or loss thereof, to the extent that:
(a) the owners thereof are located in a jurisdiction whereof the legislation treats the entity as tax transparent;
(b) the said entity does not have a fixed place of business in the jurisdiction where it was created, and
(c) the income, expenditure, profit and loss is not attributable to a permanent establishment.
131. (New, SG No. 106/2023, effective 1.01.2024) "Permanent establishment", for the purposes of Part Five A herein, shall be:
(a) a fixed place of business or a deemed place of business treated as a permanent establishment according to an applicable convention for the avoidance of double taxation, whereof the income is taxed in a manner similar to the manner of taxing business profits in accordance with Article 7 of the Model Tax Convention of the Organisation for Economic Co-operation and Development, as last amended;
(b) where there is no applicable convention for the avoidance of double taxation, a fixed place of business or a deemed place of business whereof the is taxed on a net basis in a manner similar to the manner of taxing the income of a resident for tax purposes in the jurisdiction concerned;
(c) where a jurisdiction has no corporate income tax system, a fixed place of business or a deemed place of business that would be treated as a permanent establishment according to the Model Tax Convention of the Organisation for Economic Co-operation and Development, as last amended, provided that such jurisdiction would have had the right to tax the income of the said place of business in accordance with Article 7 of the said Convention;
(d) a fixed place of business or a deemed place of business in cases other than those under Litterae (a) to (c) that is not located in the jurisdiction of the constituent entity and the income attributable to such operations is not taxed in the said jurisdiction.
132. (New, SG No. 106/2023, effective 1.01.2024) "Ultimate parent entity", for the purposes of Part Five A herein, shall be:
(a) an entity that owns, directly or indirectly, a controlling interest in any other entity and wherein another entity does not hold, directly or indirectly, a controlling interest, or
(b) the main entity of a group within the meaning given by Item 121 (b).

133. (New, SG No. 106/2023, effective 1.01.2024) "Top-up tax", for the purposes of Part Five A herein, shall be the tax determined for a jurisdiction or a constituent entity according to Article 260x herein.
134. (New, SG No. 106/2023, effective 1.01.2024) "Controlled foreign company tax regime", for the purposes of Part Five A herein, shall be tax rules under a direct or indirect owner of an ownership interest in a foreign entity, or the main entity of a permanent establishment, is subject to taxation on the share thereof in part or all of the income of all of the profit of that foreign constituent entity, irrespective of whether the said income or profit is distributed to the owner.
135. (New, SG No. 106/2023, effective 1.01.2024) "Low-taxed constituent entity", for the purposes of Part Five A herein, shall be:
(a) a constituent entity of a multinational enterprise group or of a large-scale domestic enterprise group that is located in a low-tax jurisdiction, or
(b) a stateless constituent entity that, in respect of a tax period, derives qualifying income that is taxed at an effective tax rate which is lower than 15 per cent.
136. (New, SG No. 106/2023, effective 1.01.2024) "Intermediate parent entity", for the purposes of Part Five A herein, shall be a constituent entity that owns, directly or indirectly, an ownership interest in another constituent entity in the same multinational enterprise group or large-scale domestic enterprise group and that is not an ultimate parent entity, a partially-owned parent entity, a permanent establishment or an investment entity.
137. (New, SG No. 106/2023, effective 1.01.2024) "Controlling interest", for the purposes of Part Five A herein, shall be an ownership interest in an entity whereof the holder is obliged, or would have been obliged, to include the said entity in a consolidated financial statement within the meaning given by Item 124. The main entity holds a controlling interest in the permanent establishment thereof.
138. (New, SG No. 106/2023, effective 1.01.2024) "Partially-owned parent entity", for the purposes of Part Five A herein, shall be a constituent entity:
(a) that owns, directly or indirectly, an ownership interest in another constituent entity of the same multinational enterprise group or large-scale domestic enterprise group, and
(b) for which more than 20 per cent of the ownership interest entitling the holder to a share in the profits is held, directly or indirectly, by one or several persons that are not constituent entities of the same multinational enterprise group or large-scale domestic enterprise group, and
(c) which is not an ultimate parent entity, a permanent establishment or an investment entity.
139. (New, SG No. 106/2023, effective 1.01.2024) "Ownership interest", for the purposes of Part Five A herein, shall be any equity interest in an entity or a permanent establishment that entitles the holder of the said interest to a share in the profits, capital or reserves of an entity or of a permanent establishment.
140. (New, SG No. 106/2023, effective 1.01.2024) "Parent entity", for the purposes of Part Five A herein, shall be an ultimate parent entity which is not an excluded entity, an intermediate parent entity or a partially-owned parent entity.
141. (New, SG No. 106/2023, effective 1.01.2024) "Acceptable accounting standards", for the purposes of Part Five A herein, shall be the International Accounting Standards as adopted by Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243/1 of 11 September 2002), as well as the national accounting standards of Australia, Brazil, Canada, the Member States of the European Union, the Member States of the European Economic Area, Hong Kong (China), Japan, Mexico, New Zealand, the People’s Republic of China, the Republic of India, the Republic of Korea, Russia, Singapore, Switzerland, the United Kingdom and the United States of America.
142. (New, SG No. 106/2023, effective 1.01.2024) "Authorised accounting standards", for the purposes of Part Five A herein, shall be, in respect of an entity, a system of generally acceptable accounting principles permitted for application by an authorised accounting body in the jurisdiction where the said entity is located. For the purposes of this item, authorised accounting body shall be

the body with legal authority to prescribe, establish or approve accounting standards in the said jurisdiction.
143. (New, SG No. 106/2023, effective 1.01.2024) "Material competitive distortion", for the purposes of Part Five A herein, shall be the application of a specific principle or procedure under an accounting standard that results in an aggregate variation of income or expense of more than EUR 75,000,000 in a tax period as compared to the amount that would have been determined by applying the corresponding principle or procedure under International Accounting Standards as adopted by Regulation (EC) No. 1606/2002) of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243 of 11 September 2002).
144. (New, SG No. 106/2023, effective 1.01.2024) "Qualified domestic top-up tax", for the purposes of Part Five A herein, shall be a top-up tax that is implemented in the domestic law of a jurisdiction that does not provide any benefits that are related to the rules on the application of the said tax, and:
(a) whereupon the excess profits of the constituent entities located in that jurisdiction are determined according to the procedure established by Directive (EU) 2022/2523, where the jurisdiction is in the European Union, and in all other jurisdictions according to the procedure established by the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two), and whereupon the minimum tax rate of 15 per cent is applied to the excess profits of the constituent entities located in any such jurisdiction in accordance with the provisions of Directive (EU) 2022/2523 where the jurisdiction is in the European Union, and in all other jurisdictions according to the procedure established by the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two);
(b) the said tax is administered in a way that is consistent with the provisions of Directive (EU) 2022/2523, where the jurisdiction is in the European Union, and in all other jurisdictions according to the procedure established by the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two).
145. (New, SG No. 106/2023, effective 1.01.2024) "Net book value of fixed tangible assets", for the purposes of Part Five A herein, shall be the arithmetic average of the net book values of the fixed tangible assets at the beginning and at the end of the reporting period. For the purposes of this item, the net book value of the fixed tangible assets at the beginning and at the end of the reporting period shall be arrived at by debiting the cost of acquisition of the fixed tangible assets with accumulated depreciation and impairment.
146. (New, SG No. 106/2023, effective 1.01.2024) "Investment entity", for the purposes of Part Five A herein, shall be:
(a) an investment fund or a real estate investment vehicle;
(b) an entity that is at least 95 per cent owned directly by an entity within the meaning given by Littera (a) or through a chain of such entities and whereof the operation consists exclusively or almost exclusively in holding assets or investing funds for the benefit of such entities, or
(c) an entity where 85 per cent or more of the value of the entity is owned by an entity within the meaning given by Littera (a), provided that the income thereof is almost entirely derived from dividends or from gains or losses arising from a change in the fair value of an ownership interest or from the sale of an ownership interest that are excluded when determining the qualifying income or loss for the purposes of Part Five A herein.
147. (New, SG No. 106/2023, effective 1.01.2024) "Investment fund", for the purposes of Part Five A herein, shall be an entity or arrangement that simultaneously fulfils the following conditions:
(a) the said fund is designed to pool financial or non-financial assets from a number of investors, some of which are unrelated parties;
(b) the said fund invests in accordance with a defined investment policy;

(c) the said fund allows investors to reduce transaction, research and analytical costs or to spread risk collectively;
(d) the said fund is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
(e) the investors thereof have a right to return from the assets of the fund or income earned on the said assets depending on the contribution made by the said investors;
(f) the said fund, or the person that manages the said fund, is subject to a regulatory regime, including appropriate anti-money laundering and investor protection measures, in the jurisdiction in which the said fund is established or managed;
(g) the said fund is managed by investment fund management professionals on behalf of the investors.
148. (New, SG No. 106/2023, effective 1.01.2024) "Real estate investment vehicle", for the purposes of Part Five A herein, shall be a widely held entity that invests predominantly in immovable property, being subject to taxation only at the entity level or only at the interest holders level, with at most one year of deferral.
149. (New, SG No. 106/2023, effective 1.01.2024) "Pension fund", for the purposes of Part Five A herein, shall be:
(a) an entity that is established and operated in a jurisdiction entirely or almost entirely to administer or provide retirement benefits, as well as ancillary or incidental benefits to individuals, and:
(aa) the said entity is subject to regulation as a pension fund in the said jurisdiction by a central or local government authority, or
(bb) the benefits are secured or otherwise protected by the national legislation and are funded by a pool of assets held through a fiduciary arrangement or trustor to secure the fulfilment of the corresponding pension obligations against a case of insolvency of the multinational enterprise group or large-scale domestic enterprise group;
(b) a pension services entity.
150. (New, SG No. 106/2023, effective 1.01.2024) "Pension services entity", for the purposes of Part Five A herein, shall be an entity that is established and operated entirely or almost entirely to invest funds for the benefit of entities referred to in Item 149 (a) or in activities that are ancillary to the regulated activities referred to in Item 149 (a) and provided that the said entity forms part of the same group as the entities carrying out the said regulated activities.
151. (New, SG No. 106/2023, effective 1.01.2024) "Low-tax jurisdiction", for the purposes of Part Five A herein, shall be a jurisdiction in which, for a tax period, the multinational enterprise group or the large-scale domestic enterprise group derives a qualifying income that is taxed at an effective tax rate which is lower than 15 per cent.
152. (New, SG No. 106/2023, effective 1.01.2024) "Qualifying income or loss", for the purposes of Part Five A herein, shall be the net accounting financial result of a constituent entity adjusted according to the provisions of Part Five A herein.
153. (New, SG No. 106/2023, effective 1.01.2024) "Disqualified refundable imputation tax", for the purposes of Part Five A herein, shall be any tax, other than a qualified imputation tax, accrued or paid by a constituent entity in respect of a distributed dividend that:
(a) is refundable to the beneficial owner of a dividend distributed by such constituent entity or reduces a tax liability of the said owner other than a tax liability in respect of such dividend; or
(b) is refundable to the dividend distributing company.
For the purposes of this item, a "qualified imputation tax" shall be a covered tax accrued or paid by a constituent entity, including a permanent establishment, that is refundable or creditable to the beneficial owner of the dividend distributed by the constituent entity or whereby a tax liability of the said owner is reduced, or, in the case of a covered tax accrued or paid by a permanent establishment, a dividend distributed by the main entity, to the extent that the refund or reduction is effected:

(a) by a jurisdiction other than the jurisdiction which effected the levy of the covered tax;
(b) to a beneficial owner of the dividend whereof the income derived from the said dividend is subject to tax at a tax rate that equals or exceeds 15 per cent according to the legislation of the jurisdiction which taxed the constituent entity with the covered tax;
(c) to an individual who is the beneficial owner of the dividend and is resident for tax purposes in the jurisdiction which taxed the constituent entity with the covered tax and whereof the income derived from the said dividend is subject to tax at a tax rate that equals or exceeds the standard tax rate applicable to the ordinary income of the said individual; or
(d) to a governmental entity, an international organisation, a non-profit organisation that is resident for tax purposes, a pension fund that is resident for tax purposes, an investment entity that is resident for tax purposes and is not part of a multinational enterprise group or a large-scale domestic enterprise group, or a life insurance company that is resident for tax purposes, to the extent that the dividend is received in connection with the activities of a pension fund that is resident for tax purposes and is subject to tax in a similar manner as a dividend received by a pension fund; for the purposes of this littera:
(aa) a non-profit organisation or pension fund is resident in a jurisdiction if the said organisation or fund is created and managed therein;
(bb) an investment entity is resident in a jurisdiction if the said entity is created and is subject to regulation in the said jurisdiction;
(cc) a life insurance company is resident in the jurisdiction in which the said company is located.
154. (New, SG No. 106/2023, effective 1.01.2024) "Qualified refundable tax credit", for the purposes of Part Five A herein, shall be:
(a) a refundable tax credit payable to a constituent entity as a cash payment or a cash equivalent within four years from the date when the constituent entity became entitled to receive the refundable tax credit according to the legislation of the jurisdiction granting the credit; or
(b) where only a portion of the tax credit is refundable, the portion of the refundable tax credit that is payable as a cash payment or a cash equivalent to a constituent entity within four years from the date when the constituent entity became entitled to receive the partial refundable tax credit.
A qualified refundable tax credit shall not include any amount of tax creditable or refundable pursuant to a qualified imputation tax or a disqualified refundable imputation tax.
155. (New, SG No. 106/2023, effective 1.01.2024) "Non-qualified refundable tax credit", for the purposes of Part Five A herein, shall be a tax credit that is a not a qualified refundable tax credit but that is refundable in whole or in part.
156. (New, SG No. 106/2023, effective 1.01.2024) "Main entity", for the purposes of Part Five A herein, shall be an entity whereof the financial statement includes the net financial result of a permanent establishment.
157. (New, SG No. 106/2023, effective 1.01.2024) "Constituent entity-owner", for the purposes of Part Five A herein, shall be a constituent entity that owns, directly or indirectly, an ownership interest in another constituent entity of the same multinational enterprise group or large-scale domestic enterprise group.
158. (New, SG No. 106/2023, effective 1.01.2024) "Eligible distribution tax system", for the purposes of Part Five A herein, shall be a corporate income tax system:
(a) that levies tax on profits when the said profits are distributed or deemed to be distributed to owners, as well as that levies tax on certain non-business expenses;
(b) whereupon the tax rate is equal to, or in excess of, 15 per cent; and
(c) that was in force on or before the 1st day of July 2021.
159. (New, SG No. 106/2023, effective 1.01.2024) "Designated filing entity", for the purposes of Part Five A herein, shall be a constituent entity, other than the ultimate parent entity, that has been appointed by a multinational enterprise group or large-scale domestic enterprise group to fulfil the requirements of Article 260aa23 herein on behalf of the group.

160. (New, SG No. 106/2023, effective 1.01.2024) "Top-up tax under the qualified Income Inclusion Rule", for the purposes of Part Five A herein, shall be provisions in the legislation of a jurisdiction that does not provide any benefits that are related to the application of the said provisions and that:
(a) are consistent with the provisions of Directive (EU) 2022/2523 or, as regards jurisdictions that are not Member States of the European Union, with the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two), in accordance with which the parent entity of a multinational enterprise group or of a large-scale domestic enterprise group determines the share thereof in the top-up tax of the low-taxed constituent entities of that group;
(b) are administered in accordance with the provisions of Directive (EU) 2022/2523 or, as regards jurisdiction that are not Member States of the European Union, with the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two).
161. (New, SG No. 106/2023, effective 1.01.2025) "Top-up tax under the qualified Undertaxed Profit Rule", for the purposes of Part Five A herein, shall be provisions in the legislation of a jurisdiction that does not provide any benefits that are related to the application of the said provisions and that:
(a) are consistent with the provisions of Directive (EU) 2022/2523 or, as regards jurisdictions that are not Member States of the European Union, with the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two), in accordance with which the jurisdiction collects the share thereof in the top-up tax of the multinational enterprise group that was not charged under the Income Inclusion Rule in respect of the low-taxed constituent entities of the group;
(b) are administered in accordance with the provisions of Directive (EU) 2022/2523 or, as regards jurisdiction that are not Member States of the European Union, with the Rules of the Organisation for Economic Co-operation and Development (Tax Challenges Arising from Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two).

§ 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, SG No. 106/2023, effective 1.01.2024) 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 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 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), 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), and Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum

level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (OJ L 328/1 of 22 December 2022).

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 recognised 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 recognised 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-recognised 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-recognised 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-recognised 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-recognised 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 disregarded portion of the excess of the sum total of the accounting depreciation quotas over the tax-recognised 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 in force 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 disregarded 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 corporate 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 corporate tax reduction or retention.

§ 25. Corporate 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 corporate 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 corporate 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 furnished according to the procedure established by Article 109 as repealed 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 authorised 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 as from the 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 corporate 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 recognised 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 the adoption of a positive decision by the European Commission regarding the conformity of the said relief to 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 recognised 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 realised 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 corporate 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 corporate 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 realised 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 as from 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 as from 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 the 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. In 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, passim by "Member State of the European Union", "Member States of the European Union" and "State outside of the European Union", respectively.

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 during 2008 in respect of the persons hired.

§ 18. Article 189a of the Corporate Income Tax Act shall apply to profits realised 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,

SG No. 102/2022, effective 1.01.2023, SG No. 102/2023)

§ 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 corporate 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 authorised 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 be applied for 2010 as well. Retention of corporate 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, SG No. 102/2022, effective 1.01.2023, SG No. 102/2023) The administrator of the State aid referred to in Article 189b [of the Corporate Income Tax Act] shall be the Minister of Agriculture and Food. The Minister of Agriculture and Food 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 corporate 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 corporate 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 the promulgation thereof in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amendment 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 tax base 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.

....

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 to submit 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 Act] for the exercise of the said right have not expired, may be exercised within 45 days from the date of registration under this Act.

§ 43. (1) Upon supplies under works concession contracts, services concession contracts or extraction concession contracts whereunder the payment is provided for to be partly or wholly in goods or services for which the grantors or concessionaires have failed to issue invoices and the tax has become due in the period from the 1st day of January 2011 to the 31st day of December 2012, the grantors or concessionaires shall charge the tax within six 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 enforceable 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 grantors under works concession contracts, services concession contract or extraction concession contracts whereunder the payment is provided for to be partly or wholly in goods or services may exercise their right to deduct credit for input tax within six months from the entry into force of this Act for the supplies of goods and/or services received in the period from the 1st day of January 2011 to the 31st day of 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 corporate 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 as from the 1st day of January 2014, with the exception of § 115 herein, which shall enter into force as from the 1st day of January 2013, and § 18, § 114, § 120, § 121 and § 122, which shall enter into force as from the 1st day of February 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 become effective after the European Commission adopts a positive decision regarding the conformity of the said relief to the Guidelines on regional State aid for 2014-2020. The corporate 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 2016, and all other conditions of this Act for applying the tax relief constituting regional aid are fulfilled, with the list of municipalities with a rate of unemployment by 25 per cent or more higher than the national average for 2014 being applied for the purposes of Item 1 (b) of Article 184 [of the Corporate Income Tax Act]. 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 corporate 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 has been received from the European Commission according 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 and repealing Commission Regulation (EU) No. 1857/2006. 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 corporate 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 the 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 organiser 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 the 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 tax base 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-Sised 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 corporate 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)

....

§ 27. The provision of Article 92, Paragraph (4) of the Corporate Income Tax Act shall furthermore apply to 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 disregarded 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 be disregarded.

§ 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 201 (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.

....

TRANSITIONAL AND FINAL PROVISIONS
to the Social Services Act
(SG No. 24/2019, effective 1.07.2020 - amended, SG No. 101/2019;
amended, SG No. 110/2020, effective 31.12.2020, SG No. 8/2022,
effective 1.01.2022, SG No. 104/2022, effective 1.01.2023)

....

§ 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, respectively, to the homes for children deprived of parental care, the directors thereof and the persons placed therein until the closure of the said homes.

(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, respectively, to the homes for adults with mental retardation, the homes for adults with mental disorders, the homes for adults with physical disabilities, the homes for adults with sensory disorders and the homes for adults with dementia and to the persons placed therein until the closure of the said homes.

(3) Until the closure of the medical and social care homes for children, Article 124 (2) of the Health Act shall apply to the children placed in the said homes.

(4) Until the closure of the homes for children deprived of parental care and the medical and social care homes for children, 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 such 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 care shall apply, respectively, to the donations to homes for children deprived of parental care, the homes for adults with mental retardation, the homes for adults with mental disorders, the homes for adults with physical disabilities, the homes for adults with sensory disorders and the homes for adults with dementia until the closure of the said homes.

....

§ 45. (Amended, SG No. 101/2019) This Act shall enter into force as from the 1st day of July 2020 with the exception of:

1. (Amended, SG No. 110/2020, effective 31.12.2020, SG No. 8/2022, effective 1.01.2022, SG No. 104/2022, effective 1.01.2023) Item 5 (a) of § 6, Item 2 (a) and (b), Item 3, Item 6 (a), Items 9 and 10 of § 7, Item 2 of § 18 in the part concerning "medical and social care homes for children according to the Medical-Treatment Facilities Act" and Item 2 of § 20 in the part concerning the deletion of the words "and the medical and social care homes for children" and Item 5 (c) of § 20 herein, which shall enter into force as from the 31st day of December 2023;

2. Item 4 (f), (g) and (h) of § 3 and Item 1 (a) and Items 2 and 5 of § 28 herein, which shall enter into force as from the 1st day of January 2019;
3. Article 22 (4), Article 40, Article 109 (1), Article 124, Article 161 (2), Item 6 of § 3, § 30, 36, 37 and 43, which shall enter into force as from the day of the 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,
amended, SG No. 18/2020, 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. (amended, SG No. 18/2020, effective 1.01.2020) the construction, the improvement or the repair 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)

....
§ 14. The provision of Article 47d(3)(1) of the Corporate Income Tax Act shall apply to tax losses that arose after the 31st day of December 2018.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Independent Financial Audit Act
(SG No. 18/2020, effective 28.02.2020)

....
§ 66. This Act shall enter into force as from the day of the promulgation thereof in the State Gazette with the exception of:
1. Item 2 of § 57 and § 60 herein, which shall enter into force as from the 1st day of January 2020;
2. Item 1 of § 57 herein, which shall enter into force as from the 1st day of January 2021.

TRANSITIONAL AND FINAL PROVISIONS
to the Act on the Measures and Actions during the State of Emergency
Declared by a Resolution of the National Assembly of 13 March 2020
(SG No. 28/2020, effective 13.03.2020, amended, SG No. 44/2020, effective 14.05.2020)

....
§ 25. (Effective 24.03.2020, SG No. 28/2020) (1) In 2020, the time limits referred to in Article 92 (2), Article 93, Article 217 (2), Article 219 (4) and (5), Article 241 (2), Article 252 (1), Article 253, Article 259 (2) and Article 260 of the Corporate Income Tax Act shall be extended until the 30th day of June 2020.

(2) In 2020, the tax prepayments under the Corporate Income Tax Act shall be made under the terms and according to the procedure established by Chapter Fourteen of the said Act, taking account of the following special circumstances:
1. where the annual tax return for 2019 was submitted until the entry into force of this Act, the tax prepayments shall be made in an amount according to what was declared; where necessary, the persons may submit an adjusting declaration according to the procedure established by Article 88 of the Corporate Income Tax Act;
2. where the annual tax return for 2019 is submitted until the 15th day of April 2020, the tax prepayments shall be made in an amount according to what was declared;
3. where the annual tax return for 2019 is not submitted until the 15th day of April 2020, the tax prepayments shall be declared by the standard form of the annual tax return form until the 15th day of April 2020, completing only the part of the said return concerning the declaration of tax prepayments for the current year.

....

§ 52. (Amended, SG No. 44/2020, effective 14.05.2020) This Act shall enter into force as from the 13th day of March 2020 with the exception of Article 5, § 3, § 12, § 25 to 31, § 41, § 49 and § 51 herein, which shall enter into force on the day of promulgation of the said Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Value Added Tax Act
(SG No. 104/2020, effective 1.01.2021, supplemented, SG No. 14/2021, effective 1.01.2021, amended and supplemented, SG No. 99/2022, effective 1.01.2023)

....

§ 72. 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, Nos. 32, 74, 75 and 97 of 2016, Nos. 58, 85, 92, 97 and 103 of 2017, Nos. 15, 91, 98, 102, 103 and 105 of 2018, Nos. 24, 64, 96, 101 and 102 of 2019 and Nos. 18, 28, 38 and 69 of 2020) shall be amended and supplemented as follows:

....

§ 73. The tax relief referred to in Article 184 of the Corporate Income Tax Act, constituting de minimis aid under Article 188 of the Corporate Income Tax Act, shall be enjoyable until the 31st day of December 2023, including for the corporate tax for 2023.

§ 74. The tax relief referred to in Article 184 of the Corporate Income Tax Act, constituting regional aid under Article 189 of the Corporate Income Tax Act, shall be enjoyable until the 31st day of December 2021, including for the corporate tax for 2021, subject to a decision of the European Commission on prolongation of SA.39869 (2014/N) Bulgaria, Corporate tax exemption scheme, according to Article 184 of the Corporate Income Tax Act. Retention of corporate tax prepayments shall be inadmissible until the date of the decision of the European Commission, provided that the said decision is after the 31st day of December 2020.

§ 74a. (New, SG No. 14/2021, effective 1.01.2021) (1) (Previous text of § 74a, SG No. 99/2022, effective 1.01.2023) The tax relief referred to in Article 189b of the Corporate Income Tax Act, constituting state aid for farmers, shall be enjoyable until the 31st day of December 2022, including for the corporate tax for 2022.
(2) (New, SG No. 99/2022, effective 1.01.2023) The tax relief for corporate tax under the Corporate Income Tax Act constituting State aid for farmers shall also be enjoyable as from the 1st day of January 2023 subject to notification of the European Commission in accordance with the current European legislation.

§ 75. (1) The corporate tax for 2019 and 2020 retained in conjunction with Item 1 of Article 189b (2) of the Corporate Income Tax Act shall be invested in new buildings and new agricultural machinery needed for performance of the activity specified in Article 189b (1) of the Corporate Income Tax Act not later than before the end of the second year next succeeding the year for which the retention is enjoyed.
(2) Paragraph (1) shall apply after delivery of a notice of receipt with an identification number of the aid from the European Commission on a change of the conditions of the scheme Aid for investment in agricultural holdings in the form of corporate tax relief.

§ 76. Items 8, 9, 14 to 16, 18 to 21 of § 72 herein in respect of Article 92 (2), Article 93, Article 217 (2), Article 218a (3), Article 219 (5), Article 252 (1), Article 253, Article 259 (2), Article 260 of the Corporate Income Tax Act shall furthermore apply to the annual tax return, the annual activity report and the remittance of the relevant taxes for 2020.

§ 77. (1) Until the 31st day of December 2025, any transactions in units and shares in collective investment schemes and in national investment funds, shares, rights and government securities, effected on a growth market within the meaning given by Article 122 (1) of the Markets in Financial Instruments Act shall constitute disposition of financial instruments for the purposes of Articles 44 and 196 of the Corporate Income Tax 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.
(2) The following shall not attract a tax withheld at source under Article 195 (6) of the Corporate Income Tax Act until the 31st day of December 2025:
1. any income from interest payments on bonds or other debt instruments issued by a resident legal person, the State and the municipalities and admitted to trading on a growth market within the meaning given by Article 122 (1) of the Markets in Financial Instruments Act in the country or in a Member State of the European Union, or in another State that is party to the Agreement on the European Economic Area;
2. any income from interest payments on a loan extended by a non-resident person that is an issuer of bonds or other debt instruments, where the said bonds or other debt instruments are admitted to trading on a growth market within the meaning given by Article 122 (1) of the Markets in Financial Instruments Act in the country or in a Member State of the European Union, or in another State that is party to the Agreement on the European Economic Area, and conform to the conditions of Item 2 (a) and (b) of Article 195 (6) of the Corporate Income Tax Act.

§ 78. Item 1 of § 72 herein in connection with Article 55 (7) of the Corporate Income Tax Act shall furthermore apply upon determination of the tax financial result for 2020.

§ 78a. (New, SG No. 14/2021, effective 1.01.2021) Any taxable persons which are newly incorporated in 2020 shall not make corporation tax prepayments under the Corporate Income Tax Act in 2021 with the exception of any such persons that are newly incorporated as a result of a transformation under the Commerce Act, which shall make quarterly corporation tax prepayments in 2021.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Value Added Tax Act
(SG No. 107/2020, effective 1.01.2021)

....

§ 7. (Effective 18.12.2020 - SG No. 107/2020) Article 245 (4) of the Corporate Income Tax Act shall not apply for the period from the 1st day of October 2020 until the 31st day of December 2020 upon suspension of the activity in compliance with an administrative act issued according to the procedure established by Section V of Chapter Two of the Health Act. In such cases, the tax referred to in Items 1 to 3 of Article 245 (1) of the Corporate Income Tax Act shall be due in proportion to the days of the quarter during which the activity was not suspended.

....

§ 12. This Act shall enter into force as from the 1st day of January 2021 with the exception of:
1. § 7 herein, which shall enter into force as from the day of promulgation of the Act in the State Gazette;
2. § 8 herein, which shall enter into force as from the 10th day of December 2020.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Act on the Measures and Actions during the State of Emergency Declared by a Resolution of the National Assembly of 13 March 2020 and on Addressing the Consequences
(SG No. 14/2021, effective 17.02.2021)

....

§ 16. This Act shall enter into force as from the day of the promulgation thereof in the State Gazette with the exception of:
1. § 4 and 7 herein, which shall enter into force as from the 1st day of January 2021;
....

TRANSITIONAL AND FINAL PROVISIONS
to the Special Purpose Investment Companies and Securitisation Companies Act
(SG No. 21/2021)

....

§ 15. In the Corporate Income Tax Act (promulgated, SG No. 105/2006, amended, SG Nos. 52, 108 and 110 of 2007, SG Nos. 69 and 106 of 2008, SG 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, Nos. 1, 105 и 107 of 2014, Nos. 12, 22, 35, 79 and 95 of 2015, Nos. 32, 74, 75 and 97 of 2016, Nos. 58, 85, 92, 97 and 103 of 2017, Nos. 15, 91, 98, 102, 103 and 105 of 2018, Nos. 24, 64, 96, 101 and 102 of 2019, Nos. 18, 28, 38, 69, 104, 107 and 110 of 2020 and No. 14 of 2021) the words "the Special Purpose Investment Companies Act" shall be replaced passim by "the Special Investment Purpose Companies and Securitisation Companies Act".
....

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Corporate Income Tax Act
(SG No. 14/2022, effective 18.02.2022)

....

§ 7. This Act shall enter into force as from the day of the promulgation thereof in the State Gazette with the exception of § 1 and 4 herein, which shall enter into force as from the 1st day of January 2022.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend the Corporate Income Tax Act
(SG No. 17/2022, effective 1.01.2022)

§ 2. In 2022 the food vouchers referred to in Article 209 (1) [of the Corporate Income Tax Act] may be provided to each employee also in a following month of 2022 and shall not attract a tax on expenses, where the total amount of the food vouchers provided during the respective month is up to the legally established non-taxable amount for each of the months covered by the vouchers provided for each employee.

....

§ 9. This Act shall enter into force as of 1 January 2022, except for § 3 – 1, 2, 5 – 11 and § 5, 6 and 7 which shall enter into force as of 1 April 2022.

FINAL PROVISIONS
to the Act Amending and Supplementing the Public Offering of Securities Act
(SG No. 51/2022)

....

(*) § 27. In 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, Nos. 32, 74, 75 and 97 of 2016, Nos. 58, 85, 92, 97 and 103 of 2017, Nos. 15, 91, 98, 102, 103 and 105 of 2018, Nos. 24, 64, 96, 101 and 102 of 2019 and Nos. 18, 28, 38, 69, 104, 107 and 110 of 2020, Nos. 14 and 21 of 2021 and Nos. 8, 14, 17 and 25) everywhere in the Act before the words "securitisation companies" "for" shall be added.

(*) Translators note - This amendment concerns additional preposition does not affect the English version.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Corporate Income Tax Act
(SG No. 99/2022, effective 1.01.2023, amended and supplemented,
SG No. 102/2022, effective 13.12.2022,
SG No. 86/2023, effective 13.10.2023)

§ 6. § 1 herein in respect of Article 167 (2) [of the Corporate Income Tax Act] shall furthermore apply upon retention of the corporate tax for 2022 and, respectively, upon diminution in the accounting financial result upon determination of the tax financial result for 2022.

§ 7. 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 Articles 22 to 25 of the State Aids Act, constituting regional aid, shall become effective after the adoption of a positive decision by the European Commission regarding the conformity of the said relief to the Guidelines on regional State aid (2021/C 153/01). The corporate tax for 2022 shall be retained in case an application form is submitted during the period from the 1st day of January 2023 until the 31st day of May 2023, an approval by the InvestBulgaria Agency is obtained until the 30th day of June 2023, and all other conditions of this Act for applying the tax relief constituting regional aid are fulfilled, with the list of municipalities with a rate of unemployment by 25 per cent or more higher than the national average for 2021 being applied for the purposes of Item 1 (b) of Article 184 [of the Corporate Income Tax Act]. Retention of tax prepayments shall be inadmissible until the date of the decision of the European Commission. 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].

§ 8. 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 2027, including for the corporate tax for 2027.

§ 9. (1) (Effective 8.10.2022 - SG No. 99/2022; amended, SG No. 86/2023, effective 13.10.2023) Union companies and permanent establishments with activities in the crude petroleum, natural gas, coal and refinery sectors shall remit a mandatory temporary solidarity contribution on surplus profits generated thereby according to Article 14 of Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices (OJ L 261/1 of 7 October 2022), hereinafter referred to as "Regulation (EU) 2022/1854", at the rate of 50 per cent of the base for determining the temporary solidarity contribution.

(2) (Effective 8.10.2022 - SG No. 99/2022) The base for determining the temporary solidarity contribution under Paragraph (1) shall be determined according to Article 15 of Regulation (EU) 2022/1854 in compliance with the requirements for determination of the tax profits for 2022 and for 2023 according to the Corporate Income Tax Act. The four tax periods for the purposes of calculating the average of the taxable profits shall be 2018, 2019, 2020 and 2021.
(3) (Effective 8.10.2022 - SG No. 99/2022; supplemented, SG No. 86/2023, effective 13.10.2023) The temporary solidarity contribution shall be declared and remitted according to the procedure and within the time limit for submission of the annual tax return under Article 92 of the Corporate Income Tax Act after deduction of the prepayments remitted for the relevant year. Interest according to the Interest on Taxes, Fees and Other State Receivables Act shall be due on any temporary solidarity contributions which is not remitted when due.
(4) (Effective 8.10.2022 - SG No. 99/2022) The temporary solidarity contribution under Paragraph (1) shall be recognised as current operating cost for taxation purposes.
(5) (Effective 8.10.2022 - SG No. 99/2022; supplemented, SG No. 86/2023, effective 13.10.2023) The temporary solidarity contribution shall be a public state receivable which is subject to coercive enforcement by a public enforcement agent according to the procedure established by the Tax and Social-Insurance Procedure Code. The solidarity contribution, including the prepayments, shall be declared and determined, and the unduly paid or collected amounts shall be refunded according to the procedure established by the Tax and Social-Insurance Procedure Code, the declarations being an enforcement title within the meaning given by Article 209 (2) of the Tax and Social-Insurance Procedure Code. The written statements as issued shall be appealed according to the procedure established by the same Code.
(6) (Effective 8.10.2022 - SG No. 99/2022; amended, SG No. 86/2023, effective 13.10.2023) The persons referred to in Paragraph (1):
1. may make temporary solidarity contribution prepayments until the 30th day of September 2023;
2. shall make monthly temporary solidarity contribution prepayments for October 2023 and November 2023 not later than the 30th day of each month, which shall be determined using the following formula:

$$MP = \frac{0.9 \times TSC2023}{2}, \text{ where:}$$

MP shall be the monthly prepayment
TSC2023 shall be the temporary solidarity contribution for 2023;
3. where prepayments have been made for 2023 according to Item 1, the value of the temporary solidarity contribution for 2023 shall be debited for the purposes of Item 2 with the prepayments made under Item 1.
(7) (New, SG No. 86/2023, effective 13.10.2023) Where the prepayments for 2023 remitted until the 30th day of November constitute at least 90 per cent of the temporary solidarity contribution due for 2023, the persons referred to in Paragraph (1) shall not owe interest according to the Interest on Taxes, Fees and Other State Receivables Act on the balance of the full amount of the temporary solidarity contribution due for 2023.
(8) (New, SG No. 86/2023, effective 13.10.2023) For the purposes of arriving at the tax profit for the period from the 1st day of October 2023 until the 31st day of December 2023, the tax financial result shall be adjusted according to the procedure established by the Corporate Income Tax Act by multiplying the credits or, respectively, the debits of the financial result for 2023 by the proportion of 3/12 in order to arrive at the total amount of the said credits or debits.
(9) (New, SG No. 86/2023, effective 13.10.2023) For the purposes of arriving at the tax profit for the period, the taxable person may opt to apply 30 per cent of the tax profit for 2023 instead of the tax profit for the period from the 1st day of October 2023 until the 31st day of December 2023.
(10) (Effective 13.12.2022 - SG No. 102/2022, renumbered from Paragraph (7), SG No. 86/2023, effective 13.10.2023) The Council of Ministers may approve additional expenditures/transfers,

including for 2022, using the proceeds from the temporary solidarity contribution, including the prepayments thereof, to cover expenditures under programmes adopted by the Council of Ministers in implementation of Article 17 of Regulation (EU) 2022/1854.
(11) (Renumbered from Paragraph (8), SG No. 86/2023, effective 13.10.2023) The terms and procedure for the provision of resources for financial support to natural persons to mitigate the effects of high energy prices using the proceeds from the temporary solidarity contribution, as well as the amount of the average monthly gross income for 2021 qualifying the persons entitled to support, shall be established by a Council of Ministers decree on a motion by the Minister of Economy and Industry and by the Minister of Labour and Social Policy.
(12) (Renumbered from Paragraph (9), amended, SG No. 86/2023, effective 13.10.2023) The Executive Director of the National Revenue Agency or officials empowered thereby shall provide the necessary information to the entitled persons on the basis of the data processed pursuant to § 2022 of the Transitional and Final Provisions of the Act to Amend and Supplement the 2022 State Budget of the Republic of Bulgaria Act (State Gazette No. 52 of 2022) according to a procedure established by the decree referred to in Paragraph (11).

....

§ 12. This Act shall enter into force as from the 1st day of January 2023 with the exception of:
1. § 9 (1) to (6) herein, which shall enter into force as from the 8th day of October 2022;
2. (New, SG No. 102/2022, effective 13.12.2022) § 9 (7) herein, which shall enter into force as from the day of promulgation of this Act in the State Gazette;
3. (Renumbered from Item 2, SG No. 102/2022, effective 13.12.2022) § 10 herein, which shall enter into force as from the 1st day of December 2022.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Corporate Income Tax Act
(SG No. 99/2022, effective 1.01.2023, amended and supplemented,
SG No. 102/2022, effective 13.12.2022)

§ 6. § 1 herein in respect of Article 167 (2) [of the Corporate Income Tax Act] shall furthermore apply upon retention of the corporate tax for 2022 and, respectively, upon diminution in the accounting financial result upon determination of the tax financial result for 2022.

§ 7. 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 Articles 22 to 25 of the State Aids Act, constituting regional aid, shall become effective after the adoption of a positive decision by the European Commission regarding the conformity of the said relief to the Guidelines on regional State aid (2021/C 153/01). The corporate tax for 2022 shall be retained in case an application form is submitted during the period from the 1st day of January 2023 until the 31st day of May 2023, an approval by the Invest Bulgaria Agency is obtained until the 30th day of June 2023, and all other conditions of this Act for applying the tax relief constituting regional aid are fulfilled, with the list of municipalities with a rate of unemployment by 25 per cent or more higher than the national average for 2021 being applied for the purposes of Item 1 (b) of Article 184 [of the Corporate Income Tax Act]. Retention of tax prepayments shall be inadmissible until the date of the decision of the European Commission. 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].

§ 8. 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 2027, including for the corporate tax for 2027.

§ 9. (1) (Effective 8.10.2022 - SG No. 99/2022) Union companies and permanent establishments with activities in the crude petroleum, natural gas, coal and refinery sectors shall remit a mandatory temporary solidarity contribution on surplus profits generated thereby according to Article 14 of Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices (OJ L 261/1 of 7 October 2022), hereinafter referred to as "Regulation (EU) 2022/1854", at the rate of 33 per cent of the base for determining the temporary solidarity contribution.
(2) (Effective 8.10.2022 - SG No. 99/2022) The base for determining the temporary solidarity contribution under Paragraph (1) shall be determined according to Article 15 of Regulation (EU) 2022/1854 in compliance with the requirements for determination of the tax profits for 2022 and for 2023 according to the Corporate Income Tax Act. The four tax periods for the purposes of calculating the average of the taxable profits shall be 2018, 2019, 2020 and 2021.
(3) (Effective 8.10.2022 - SG No. 99/2022) The temporary solidarity contribution shall be declared and remitted according to the procedure and within the time limit for submission of the annual tax return under Article 92 of the Corporate Income Tax Act. Interest according to the Interest on Taxes, Fees and Other State Receivables Act shall be due on any temporary solidarity contributions which is not remitted when due.
(4) (Effective 8.10.2022 - SG No. 99/2022) The temporary solidarity contribution under Paragraph (1) shall be recognised as current operating cost for taxation purposes.
(5) (Effective 8.10.2022 - SG No. 99/2022) The temporary solidarity contribution shall be a public state receivable which is subject to coercive enforcement by a public enforcement agent according to the procedure established by the Tax and Social-Insurance Procedure Code.
(6) (Effective 8.10.2022 - SG No. 99/2022) The persons referred to in Paragraph (1) may make temporary solidarity contribution prepayments.
(7) (Effective 13.12.2022 - SG No. 102/2022) The Council of Ministers may approve additional expenditures/transfers, including for 2022, using the proceeds from the temporary solidarity contribution, including the prepayments thereof, to cover expenditures under programmes adopted by the Council of Ministers in implementation of Article 17 of Regulation (EU) 2022/1854.
(8) The terms and procedure for the provision of resources for financial support to natural persons to mitigate the effects of high energy prices using the proceeds from the temporary solidarity contribution, as well as the amount of the average monthly gross income for 2021 qualifying the persons entitled to support, shall be established by a Council of Ministers decree on a motion by the Minister of Economy and Industry and by the Minister of Labour and Social Policy.
(9) The Executive Director of the National Revenue Agency or officials empowered thereby shall provide the necessary information to the entitled persons on the basis of the data processed pursuant to § 20 of the Transitional and Final Provisions of the Act to Amend and Supplement the 2022 State Budget of the Republic of Bulgaria Act (State Gazette No. 52 of 2022) according to a procedure established by the decree referred to in Paragraph (8).

....

§ 12. This Act shall enter into force as from the 1st day of January 2023 with the exception of:
1. § 9 (1) to (6) herein, which shall enter into force as from the 8th day of October 2022;
2. (New, SG No. 102/2022, effective 13.12.2022) § 9 (7) which shall enter into force on the day of promulgation of this Act in the State Gazette;
3. (Renumbered from Item 2, SG No. 102/2022, effective 13.12.2022) § 10 herein, which shall enter into force as from the 1st day of December 2022.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Excise Duties and Tax Warehouses Act
(SG No. 102/2022, effective 1.01.2023)

....

§ 33. (Effective 13.12.2022 - SG No. 102/2022) In the Act to Amend and Supplement the Corporate Income Tax Act (SG No. 99/2022) Paragraph 12 shall be amended and supplemented as follows:
....

§ 34. This Act shall enter into force as from the 1st day of January 2023 with the exception of:
1. Paragraphs (1), (9), (17) – (23) and (25), which shall enter into force as of 13 February 2023;
2. Paragraphs 6, 16 and 29, which shall enter into force on 1 April 2023;
3. Paragraph 33 herein, which shall enter into force as from the 13 December 2022.

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Agricultural Producers Support Act
(SG No. 102/2022, effective 1.01.2023)

....
§ 67. In the Act to Amend and Supplement the Corporate Income Tax Act (promulgated, SG No. 95/2009, amended, SG No. 100/2013 and 58/2017) in Paragraph 42 everywhere the words "The Minister of Agriculture, Food and Forestry" shall be replaced by "The Minister of Agriculture".
....

TRANSITIONAL AND FINAL PROVISIONS
to the Act on Application of Provisions of the 2022 State Budget the Republic of Bulgaria Act, the 2022 Public Social Insurance Budget Act and the 2022 National Health Insurance Fund Budget Act
(SG No. 104/2022, effective 1.01.2023)

....
§ 3. The tax base for assessment of the tax on expenses referred to in Item 2 (b) of Article 204 (1) of the 2023 Corporate Income Tax Act shall be the sum of the tax bases for the months of 2023, and the taxable amount for the months within the time limit under Article 1 herein shall be determined, as follows:
1. the taxable amount for assessment of the tax on expenses for the calendar month shall be the excess of the said expenses over BGN 200 per month per hired person;
2. where the conditions for exemptions from tax under Article 209 of the Corporate Income Tax Act herein are not fulfilled, the taxable amount for assessment of the tax on expenses shall be the full amount of the expenses charged for the calendar month.
....

§ 10. (Upon the entry into force of the 2023 State Budget of the Republic of Bulgaria Act - SG No. 104/2022) 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, Nos. 32, 74, 75 and 97 of 2016, Nos. 58, 85, 92, 97 and 103 of 2017, Nos. 15, 91, 98, 102, 103 and 105 of 2018, Nos. 24, 64, 96, 101 and 102 of 2019, Nos. 18, 28, 38, 69, 104, 107 and 110 of 2020, Nos. 14 and 21 of 2021 and Nos. 8, 14, 17, 25, 51, 99 and 100 of 2022) shall be amended and supplemented as follows:
....

§ 16. This Act shall enter into force as from the 1st day of January 2023 with the exception of:
1. Paragraph 2 herein, which shall enter into force as from the day of promulgation of the Act in the State Gazette;
2. Paragraph 8 herein, which shall enter into force as from the 1 December 2022.

3. Paragraph 10 herein, which shall enter into force upon the entry into force of the 2023 State Budget of the Republic of Bulgaria Act.

TRANSITIONAL AND CONCLUDING PROVISIONS
to the 2023 State Budget of the Republic of Bulgaria Act
(SG No. 66/2023, effective 1.01.2023)

....

§ 24. 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, Nos 1, 105 and 107 of 2014, Nos 12, 22, 35, 79 and 95 of 2015, Nos 32, 74, 75 and 97 of 2016, Nos 58, 85, 92, 97 and 103 of 2017, Nos 15, 91, 98, 102, 103 and 105 of 2018, Nos 24, 64, 96, 101 and 102 of 2019, Nos 18, 28, 38, 69, 104, 107 and 110 of 2020, Nos 14 and 21 of 2021 and Nos 8, 14, 17, 25, 51, 99, 100 and 104 of 2022) is amended and supplemented, as follows:
....

§ 25. (1) (Effective 1.01.2024 - SG No. 66/2023) Operators referred to in Article 209(3) of the Corporate Income Tax Act can print and provide food vouchers in paper form until 30 June 2024.
(2) (Effective 1.01.2024 - SG No. 66/2023) For the period from 1 January 2024 to 30 June 2024, taxable persons may provide to employees for a specific month only food vouchers in paper form under Article 209 of the Corporate Income Tax Act or only food vouchers on an electronic medium under Article 209a of the Corporate Income Tax Act.
(3) (Effective 1.08.2023 - SG No. 66/2023) The authorisations issued until 31 December 2022 by the Minister for Finance under Article 209(3) and (4) of the Corporate Income Tax Act shall be terminated as of 1 July 2024. The requirements of the ordinance referred to in Article 209(6) of the Corporate Income Tax Act shall apply, until it is amended in accordance with paragraph 7, to all vouchers issued in paper form until their validity expires.
(4) (Effective 1.08.2023 - SG No. 66/2023) In 2023, a competition for issuing authorisations to carry on operator business under the ordinance referred to in Article 209(6) of the Corporate Income Tax Act shall not be carried out.
(5) (Effective 1.08.2023 - SG No. 66/2023) Any person that wishes, as of 1 January 2024, to carry on operator business under Article 209a of the Corporate Income Tax Act, shall submit, between 1 November 2023 and 15 November 2023, an application to the Minister for Finance for obtaining an authorisation, if said person satisfies the following conditions:
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 authorisation;
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 authorisation;
5. is represented by persons who:
(a) 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 preceding the date of the judgment on institution of bankruptcy proceedings, if any creditors have been left unsatisfied;
6. possesses a food voucher on an electronic medium which satisfies the following requirements:
(a) has a unique identification number that allows to individualise and track the electronic medium;
(b) states the business name of the operator and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;

(c) states the business name of the employer and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(d) contains text prohibiting the withdrawal of cash by means of the food voucher on an electronic medium;
(e) contains text prohibiting the purchase of wine, spirit drinks, beer and tobacco products by means of the food voucher on an electronic medium;
(f) states the validity period of the electronic medium, if applicable;
(g) contains the text "food voucher under Article 209a of the Corporate Income Tax Act" and "valid only in Bulgaria".
7. has proved that it has the technical capacity to issue food vouchers on electronic media, including that food vouchers on electronic media:
(a) support traceability of transactions;
(b) support a functionality to identify the business name of the operator and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(c) support a functionality to identify the business name of the employer and its standard identification code as assigned by the Registry Agency or, respectively, the standard identification code under BULSTAT;
(d) support a technical restriction on withdrawal of cash by means of the food voucher on an electronic medium;
(e) support a functionality for checking the unique number of the individual quota received by the operator, under which the food voucher on an electronic medium was provided, as well as the date of issuance of the order for the individual quota received by the operator, under which the food voucher was provided;
(f) use publicly documented means of technical protection;
(g) support a technical restriction on their use outside the territory of the Republic of Bulgaria;
(h) conform to other technical requirements established by the ordinance referred to in Article 209a(6) of the Corporate Income Tax Act.
(6) (Effective 1.08.2023 - SG No. 66/2023) The authorisation referred to in paragraph 5 shall be issued by the Minister for Finance after coordination with the Bulgarian National Bank regarding compliance with the requirements set out in the Payment Services and Payment Systems Act. 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 5 or which has submitted untrue data or information. The grant, refusal of authorization or withdrawal of an authorisation granted shall be effected by a written order of the Minister of Finance. 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.
(7) (Effective 1.08.2023 - SG No. 66/2023) Within three months of the promulgation of this Act in the State Gazette the ordinance referred to in Article 209(6) of the Corporate Income Tax Act shall be brought in compliance with it.

....

§ 46. This Act shall enter into force on 1 January 2023, with the exception of:
1. § 1(3) and (5), § 25(3) - (7), § 27 and § 28, which shall enter into force on 1 August 2023;
2. § 3, § 29(1) and § 30, which shall enter into force on 1 July 2023;
3. § 4, § 29(2)(a) and (b) regarding § 10, § 33 and § 38, which shall enter into force on the date of promulgation of the Act in the State Gazette;
4. § 7(1) and(2), § 8 and § 26(3), which shall enter into force on 1 September 2023;
5. § 7(3), § 14(9), § 26(4), § 27(8) and § 40, which shall enter into force on 1 December 2023;
6. § 13, § 14(7) and (8), § 14(10) regarding subparagraphs 11, 12, 13 and 19 (a) of Article 182e, § 15, § 21, § 22, § 23, § 34, § 35, § 36 and § 37, which shall enter into force three days after the promulgation of the Act in the State Gazette;

7. Items 1, 3, 4 and 5 of § 14, Item 6 (a) to (c) and (e) to (n), and Item 16 of § 14, and Item 2 (b) of § 29 regarding § 11, which shall enter into force on 1 October 2023;
8. Item 2 of § 14, Item 10 regarding Article 182a to Article 182d, Items 14, 15, 17, 18 and Item 19 (b), § 17, 18 and 20, which shall enter into force 9 months after the promulgation of the Act in the State Gazette;
9. Item 6 (d) of § 14, Items 3 to 9 and Item 10 (a) to (d) of § 24, § 25 (1) and (2), and Items 1 and 2 of § 26, which shall enter into force on 1 January 2024;
10. § 19, which shall enter into force 8 months after the promulgation of the Act in the State Gazette;
11. § 32, which shall enter into force on 1 January of the second year following the publication of the results of the population and housing census in the Republic of Bulgaria in 2021.

TRANSITIONAL AND CONCLUDING PROVISIONS
to the Act to Amend and Supplement the Corporate Income Tax Act
(SG No. 106/2023, effective 1.01.2024)

§ 15. (Effective 1.01.2023 - SG No. 106/2023) (1) The tax relief referred to in Article 189b [of the Corporate Income Tax Act] shall apply only after the date of receipt of the final number of the aid in the State Aid Register of the European Commission, subject to the conditions of Chapter I and Article 14 of Commission Regulation (EU) No. 2022/2472 of 14 December 2022 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 327/1 of 21 December 2022). Retention of tax prepayments in respect of corporation tax on farmers shall be inadmissible until the date of receipt of the final number of the aid in the State Aid Register of the European Commission. The tax relief shall apply for 2023 in case the final number of the aid in the State Aid Register of the European Commission has been received on or before the 30th day of June 2024.
(2) The tax relief referred to in Article 189b [of the Corporate Income Tax Act], constituting state aid for farmers, shall be enjoyable until the 31st day of December 2029, including for the corporate tax for 2029.
(3) The retained tax for 2023 and 2024 in connection with Item 1 of Article 189b (2) [of the Corporate Income Tax Act] shall be invested in new buildings and new agricultural machinery needed for performance of the activity specified in Article 189b (1) [of the Corporate Income Tax Act] not later than before the end of the year following the year for which the retention is enjoyed.

§ 16. § 11 herein in respect of Article 260i (1), (3) and (4), Articles 260j to 260k, sentence two of Article 260 aa8 (4), Article 260a9 (6), Item 2 of Article 260aa23 (7) [of the Corporate Income Tax Act] and Littera (g) of § 14 in respect of Item 161 shall apply as from the 1st day of January 2025, except in the cases referred to in § 11 herein in respect of Article 260i (2) [of the Corporate Income Tax Act].

....

§ 20. This Act shall enter into force as from the 1st day of January 2024 with the exception of:
1. § 7, 8, Item 1 (b) and (c) of § 14, § 15, § 18 and 19 herein, which shall enter into force as from the 1st day of January 2023;
2. § 3 herein in respect of Article 5 (7) to (10) and Item 2 of § 5 herein in respect of Article 93 (2) [of the Corporate Income Tax Act], which shall enter into force as from the 1st day of January of the year following the year in which the European Commission determined that the measure does not constitute State aid or is compatible State aid.

TRANSITIONAL AND CONCLUDING PROVISIONS
to the 2024 State Budget of the Republic of Bulgaria Act
(SG No. 108/2023, effective 1.01.2024)

§ 1. (1) The food vouchers referred to in Article 209 (1) or Article 209a (1) of the Corporate Income Tax Act, issued within the quota under Article 59, may also be used for payment of electricity and heat, natural gas and water used for household needs, of activities carried out by cultural organisations under the Protection and Promotion of Culture Act, and of film screenings according to the Film Industry Act, and of tourist services according to the Tourism Act.
(2) For the purposes of Paragraph (1), operators shall conclude contracts with suppliers which are persons engaged in providing electricity and heat, natural gas and water for household needs, cultural organisations under the Protection and Promotion of Culture Act, persons screening films according to the Film Industry Act, and persons providing tourist services according to the Tourism Act.
(3) For the purposes of Paragraph (1), the rules of the Corporate Income Tax Act shall apply, mutatis mutandis, with regard to the food vouchers and the ordinance referred to in Article 209 (6) and Article 209a (6) of the said Act.
(4) Operators shall provide employers and users with lists of establishments which accept the vouchers printed by the operator concerned for payment of electricity and heat, natural gas and water used for household needs, of activities carried out by cultural organisations under the Protection and Promotion of Culture Act, and of film screenings according to the Film Industry Act, and of tourist services according to the Tourism Act.
....

TRANSITIONAL AND FINAL PROVISIONS
to the Act to Amend and Supplement the Accountancy Act
(SG No. 72/2024, effective 6.07.2024)

....
§ 34. (1) Within two months of the entry into force of this Act, the Ministry of Justice shall bring the by-laws into conformity with the Act.
(2) By 30 June 2025, the Registry Agency shall ensure access to and use of the service for the publication of the management reports referred to in Article 41, paragraph 3, and Article 44, paragraph 2 with the sustainability reports in a single electronic reporting format, in a machine-readable format, in accordance with the requirements of this Act.
....

§ 37. Paragraph 34 shall apply to tax returns under Articles 92 and 259 of the Corporate Income Tax Act for 2026 and subsequent years and to tax returns under Articles 239 and 246 for the first tax return for 2027 and subsequent years.
....

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 "société anonyme"/"naamloze vennootschap", "société en commandite par actions"/"commanditaire vennootschap op aandelen", "société privée à responsabilité limitée"/"besloten vennootschap met beperkte aansprakelijkheid", "société cooperative à responsabilité limitée"/"cooperative vennootschap met beperkte aansprakelijkheid", "société en nom collectif"/"vennootschap onder firma", "société 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: "akciová společnost", "společnost s ručenim omezeným";
(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 beschränkter Haftung", "Versicherungsverein auf Gegenseitigkeit", "Erwerbs- und Wirtschaftsgenossenschaft", "Betriebe gewerblicher Art von juristischen Personen des öffentlichen Rechts", as well as other companies constituted under German law and subject to German corporate tax;
(f) companies under Estonian law known as: "täisühing", "usaldusühing", "osaühing", "aktsiaselts", "tulundusühistu";
(g) companies under Greek law known as: "ανώνυμη ετιρεία", "ετιρεία περιορισμένης ευδύνης" (Ε.Π.Ε);
(h) companies under Spanish law known as: "sociedad anónima", "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 "société anonyme", "société en commandite par actions", "société à responsabilité limitée", "société par actions simplifiée", "société d'assurances mutuelles", "caisses d'épargne et de prévoyance", "sociétés civiles", which are automatically subject to corporation tax, "coopératives", "unions de coopératives", 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: "società per azioni", "società in accomandita per azioni", "società a responsabilità limitata", "società cooperativa", "società di mutua assicurazione", as well as private and public entities whose activity is wholly or principally commercial;
(l) under Cypriot law: "ετιρείες", as defined in the Income Tax laws;
(m) companies under Latvian law known as: "akciju sabiedriba", "sabiedriba ar ierobežotu atbildibu";
(n) companies incorporated under the law of Lithuania;
(o) companies under Luxembourg law known as: "société anonyme", "société en commandite par actions", "société à responsabilité limitée", "société coopérative", "société coopérative organisée comme une société anonyme", "association d'assurances mutuelles", "association d'épargne-

pension", "enterprise de natura commerciale, industrielle ou minière de l'État, des communes, des syndicats de communes, des établissements 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: "közkereseti társaság", "beréti társaság", "közös vállat", "korlátolt felelösségü társaság", "részvénytársaság", "egyesülés", "közhasznú társaság", "szövetkezet";
(q) companies under Maltese law known as: "Kumpaniji ta' Responsabilita Limitata", "Soċjetajiet 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", "Coöperatie", "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 beschränkter Haftung", "Erwerbs- und Wirtschaftsgenossenschaften";
(t) companies under Polish law known as: "spółka akcyjna", "spółka z ograniczoną odpowiedzialnością";
(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: "delniška družba", "komanditna družba", "družba z omejeno odgovornostjo";
(w) companies under Slovak law known as: "akciová spoločnosť", "spoločnosť s ručením obmedzeným", "komanditná spoločnosť ";
(x) companies under Finnish law known as: "osakeyhtiö"/"aktiebolag", "osuuskunta"/"andelslag", "säästöpankki"/"sparbank" and "vakuutusyhtiö"/"försäkringsbolag";
(y) companies under Swedish law known as: "aktiebolag", "försäkringsaktiebolag", "ekonomiska föreningar", "sparbanker", "ömsesidiga försäkringsbolag";
(z) companies incorporated under the law of the United Kingdom of Great Britain and Northern Ireland.
(aa) companies under Romanian law known as "sosietăţi pe acţiuni", sosietăţi în comandită pe acţiuni", "sosietăţi cu răspundere limitată".
(bb) (new, SG No. 91/2013, effective 1.07.2013) companies under Croatian law known as: "dioničko društvo", "društvo s ograničenom odgovornošću", 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

- impôt des sociétés/vennootschapsbelasting in Belgium,
- selskabsskat in Denmark,
- Körperschaftsteuer in the Federal Republic of Germany,
- φόρος εισοδήματος νομικών προσώπων κερδοσκοπικού χαρακτήρα in Greece,
- impuesto sobre sociedades in Spain,
- impôt sur les sociétés in France,
- (new, SG No. 91/2013, effective 1.07.2013) porez na dobit in Croatia,

- corporation tax in Ireland,
- imposta sul reddito delle società in Italy,
- impôt sur le revenu des collectivités 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,
- Körperschaftsteuer in Austria,
- yhteisöjen tulovero/inkomstskatten för samfund in Finland,
- statlig inkomstskatt in Sweden,
- Daň z příjmů právnických osob in the Czech Republic,
- Tulumaks in Estonia,
- φόρος εισοδήματος in Cyprus,
- uzņēmumu ienākuma nodoklis in Latvia,
- Pelno mokestis in Lithuania,
- Társasági adó in Hungary,
- Taxxa fuq l-income in Malta,
- Podatek dochodowy od osób prawnych in Poland,
- Davek od dobička pravnih oseb in Slovenia,
- Daň z příjmů právnických 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/société anonyme, commanditaire vennootschap op aandelen/société en commandite par actions, besloten vennootschap met beperkte aansprakelijkheid/société privée à responsabilité limitée” 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 beschränkter Haftung” and “bergrechtliche Gewerkschaft”;

(d) companies under Greek law known as: “ανώνυμη εταιρία”;

(e) companies under Spanish law known as: “sociedad anónima, 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: “société anonyme, société en commandite par actions, société à responsabilité limitée” 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: “società per azioni, società in accomandita per azioni, società a responsabilità limitata” and public and private entities carrying on industrial and commercial activities;

(i) companies under Luxembourg law known as: “société anonyme, société en commandite par actions and société à responsabilité limitée”;

(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 beschränkter 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: “osakeyhtiö/aktiebolag, osuuskunta/andelslag, säästöpankki/sparbank” and “vakuutusyhtiö/försäkringsbolag”;

(n) companies under Swedish law known as: “aktiebolag” and “försäkringsaktiebolag”;

(o) companies incorporated under the law of the United Kingdom;

(p) companies incorporated under Czech law known as: “akciová společnost”, “společnost s ručením omezeným”, “veřejná obchodní společnost”, “komanditní společnost”, “družstvo”;

(q) companies incorporated under Estonian law known as: “täisühing”, “usaldusühing”, “osaühing”, “aktsiaselts”, “tulundusühistu”;

(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 sabiedrība”, “sabiedrība ar ierobežotu atbildību”;

(t) companies incorporated under the law of Lithuania;

(u) companies incorporated under Hungarian law known as: “közkereseti társaság”, “betéti társaság”, “közös vállalat”, “korlátolt felelősségű társaság”, “részvénytársaság”, “egyesülés”, “közhasznú társaság”, “szövetkezet”;

(v) companies incorporated under Maltese law known as: “Kumpaniji ta' Responsabilita' Limitata”, “Soċjetajiet in akkomandita li l-kapital tagħhom maqsum f'azzjonijiet”;

(w) companies incorporated under Polish law known as: “spółka akcyjna”, “spółka z ograniczoną odpowiedzialnością”;

(x) companies incorporated under Slovenian law known as: “delniška družba”, “komanditna delniška družba”, “komanditna družba”, “družba z omejeno odgovornostjo”, “družba z neomejeno odgovornostjo”;

(y) companies incorporated under Slovak law known as: “akciová spoločnos” , “spoločnosť s ručením obmedzeným” , “komanditná spoločnos” , “verejná obchodná spoločnos”, “družstvo”;

(z) companies under Romanian law known as: “societăţi pe acţiuni”, “societăţi în comandită pe acţiuni”, “societăţi cu răspundere limitată”.

(aa) (new, SG No. 91/2013, effective 1.07.2013) companies under Croatian law known as: “dioničko društvo”, “društvo s ograničenom odgovornošću”, 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

- impôt des sociétés/vennootschapsbelasting in Belgium,

- selskabsskat in Denmark,

- Körperschaftsteuer in Germany,

- Φόρος εισοδήματος νομικών προσώπων in Greece,

- impuesto sobre sociedades in Spain,

- impôt sur les sociétés 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,

- impôt sur le revenu des collectivités in Luxembourg,

- vennootschapsbelasting in the Netherlands,

- Körperschaftsteuer in Austria,

- imposto sobre o rendimento da pessoas colectivas in Portugal,

- yhteisöjen tulovero/inkomstskatten för samfund in Finland,

- statlig inkomstskatt in Sweden,

- corporation tax in the United Kingdom,

- Daň z příjmů právnických osob in the Czech Republic,

- Tulumaks in Estonia,

- φόρος εισοδήματος in Cyprus,

- Uzņēmumu ienākuma nodoklis in Latvia,

- Pelno mokestis in Lithuania,

- Társasági adó in Hungary,

- Taxxa fuq l-income in Malta,

- Podatek dochodowy od osób prawnych in Poland,

- Davek od dobička pravnih oseb in Slovenia,

- Daň z príjmov právnických osôb in Slovakia,

- impozit pe profit, impozitul pe veniturile obţinute din România de nerezidenţi in Romania.