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Individuals' Tax Guide

Bulgaria – 2021



Personal Income Taxation

General Rules

Residents are individuals having domicile in Bulgaria, residing in the country for more than 183 days in any 12-month period or whose center of vital interests is in Bulgaria. Residents are subject to tax on their worldwide income. Non-residents are taxed only on their Bulgarian-sourced income.

Advance Payments

Employees, individuals working under management service contracts and individuals working under intercompany lease of personnel agreements are liable to make monthly advance payments against their annual personal income tax liability. The 10% monthly advance tax is withheld and remitted to the Bulgarian revenue authorities by the employer, the assignor, or the recipient company, respectively. The principal employer as of 31 December of the calendar year adjusts the calculated personal income tax for the year.

Self-employed individuals, individuals working under service agreements, notaries and freelancers must also make advance tax payments. The advance tax payments are at the amount of 10%, calculated based on the gross income less certain expenses and the statutory insurance contributions paid by the individual. Sole traders are liable to 15% advance tax payments.

Annual Tax Rates

On an annual basis, personal income is subject to a 10% flat tax. Sole traders are subject to a 15% annual flat tax.

Annual Tax Return Deadlines

Filing deadline – from 10 January until 30 April of the following year.

Tax payment deadline – until 30 April of the following year.

One-off corrections deadline – until 30 September of the following year.

Early filling deadline* – until 31 March of the following year.

* 5% discount (up to the amount of BGN 500) from the outstanding annual tax liability is available if:

- ✓ submitted electronically;
- ✓ tax is paid by the deadline;
- ✓ the individual does not have public liabilities subject to an enforcement procedure.

Social Security & Health Insurance

Contributions

Type of contribution	Overall rate	Employer	Employee
Pension Fund Contribution*	14.8%	8.22%	6.58%
Universal Pension Fund*	5%	2.8%	2.2%
Labour Accident & Occupational Diseases Fund**	0.4% - 1.1%	0.4% - 1.1%	-
Common Illness & Maternity Fund	3.5%	2.1%	1.4%
Unemployment Fund	1%	0.6%	0.4%
Health Insurance	8%	4.8%	3.2%
Total	32.7% - 33.4%	18.92% - 19.62%	13.78%

* The Pension Fund Contribution for employees born before 1960 is 19.8% and no contribution to Universal Pension Fund is due.

** The rate for Labour Accident and Occupational Diseases Fund varies between 0.4% – 1.1% depending on the type of the economic activity performed.

The basis for calculation of the contributions is the overall income capped at BGN 3,000 per month.

In case of self-employment, the statutory insurance contributions are at the expense of the self-employed individual and are due only for the Pension Fund, the Universal Pension Fund and Health Insurance.

Coverage

All Bulgarian nationals and expatriates are liable to make the contributions above unless the EU social security regulations or a bilateral social security agreement apply and provide otherwise.

Lump-sum Taxation for Certain Activities

A lump-sum tax is levied on individuals and sole traders performing certain activities (e.g., hotel and restaurant services, retail business, etc.) who are not registered for VAT purposes (except for the purpose of intra-community acquisition) and whose annual turnover for the preceding year does not exceed BGN 50 thousand (approximately EUR 25.6 thousand). The lump-sum tax is determined by the respective municipality in conformity with certain criteria and within the limits set by law.

Corporate Income Taxation

Corporate Income Tax

Companies and partnerships are liable to pay corporate income tax at the rate of 10%.

Taxation of Company Expenses

The following company expenses are subject to tax at the rate of 10%:

- Representative expenses
- In-kind fringe benefits
- The expenses in-kind associated with company assets (owned, leased, etc.), provided for/ associated with personal use by the employees, individuals hired under management contracts, etc. Alternatively, upon company's discretion, these expenses may be included in the individuals' personal taxable income.

Capital Gains and Losses

Capital gains are included in the taxable income and subject to corporate income tax. Capital losses are deductible.

Capital gains from disposal of shares on a regulated stock exchange in an EU/EEA member state are exempt from corporate tax. Such capital losses are non-deductible.

Withholding Tax

Standard Rate – 10%*

Reduced Rate – 5%

Non-resident individuals and entities, without a permanent establishment in the country to which the income can be attributed, are subject to withholding tax on the following income:

- interest including under finance lease agreements
- royalties
- technical services fees
- payments under management contracts or for membership of management and supervisory bodies of Bulgarian entities
- rental income
- payments under operating lease, franchising, and factoring fees
- capital gains from disposal of shares, securities, and other financial assets
- capital gains from alienation of immovable property
- service fees, remuneration for the use of rights and penalty or damages payments (except for insurance compensations) paid to foreign legal entities based in low tax jurisdictions.

* *The withholding tax rates may differ depending on the provisions in tax treaties concluded between Bulgaria and other states.*

As of 1 January 2015, interest and royalties accrued by Bulgarian legal entities (or Bulgarian permanent establishments of non-residents) to EU based related parties (legal entities or permanent establishments) is not taxable with Bulgarian withholding tax under certain conditions.

Capital gains from disposal of shares on a regulated stock exchange in an EU/EEA member state are exempt from withholding tax. Residents of EU countries may declare tax deductible expenses and claim a corresponding refund of the withholding tax paid on a gross basis under certain conditions.





Dividends

Dividends distributed by local entities to:

- Bulgarian resident or EU/EEA resident companies **0%**
- Non-EU/EEA resident companies **5%**
- Bulgarian resident and non-Bulgarian resident individuals **5%**

Interests

All types of interest income from bank accounts paid to:

- Bulgarian resident individuals **8%**
- Bulgarian non-resident individuals **10%**

Interest income on bonds or other debt securities issued by the state or the municipalities is non-taxable for all tax non-resident individuals.

Effective as of 2017, certain types of foreign source income (e.g., dividends, interest, etc.), which were previously subject to quarterly reporting and taxation by Bulgarian tax residents are reported and taxed with the individual's annual tax return.

Deductions

Child deduction - increase in the amount of tax relief for children, which will be applicable only for 2021 calendar year.

Applicable amounts of tax relief:

- BGN 450 for one child (instead of BGN 20)
- BGN 900 for two children (instead of BGN 40)
- BGN 1,350 for three or more children (instead of BGN 60)
- BGN 900 for children with disabilities (instead of BGN 200)

Effective as of 2021, personal voluntary insurance contributions (pension, unemployment, life and health insurance) in companies within an OECD member country are deductible up to certain limits. So far deduction was allowed only for such contributions made within the EU/EEA.

Application of Treaties for Avoidance of Double Taxation

Currently Bulgaria has 69 applicable tax treaties. The application of tax treaty benefits is subject to undergoing a formal procedure (certain exceptions apply).

Value Added Tax

Standard Rate – 20%

Reduced Rate* – 9%

Registration Thresholds

- | Registration Thresholds | |
|-------------------------|---|
| Mandatory | <ul style="list-style-type: none">taxable turnover (except from supplies for which the recipient is liable to assess the VAT) exceeding BGN 50 thousand for the last twelve months**intra-community acquisitions exceeding BGN 20 thousand for the calendar yearcertain other cases |
| Voluntary | <ul style="list-style-type: none">any entity or individual can apply for voluntary registration |

* Hotel accommodation; restaurants and catering services (except for the supply of spirit drinks); supplies of books; use of sport facilities; foods, appropriate for babies or young children; baby diapers and similar baby hygiene products.

** The threshold does not apply to foreign entities. They are required to register at least 7 days before their first taxable supply.

Annual Tax on Immovable Property

- | | |
|-----------------------|---|
| Individuals | <ul style="list-style-type: none">between 0.01% and 0.45%*** on the tax value of the property |
| Legal Entities | <ul style="list-style-type: none">between 0.01% and 0.45%*** on the higher of the book value and the tax value of the property (or on the tax value in case of residential property)special rates – from 0.45% to 0.7%*** for certain residential properties |

*** The exact rates are determined by the relevant municipality.

Transfer Tax

The transfers of immovable property and motor vehicles are subject to a transfer tax. The tax is payable by individuals and legal entities at a rate between 0.1% and 3.0%*.

* *The exact rates are determined by the relevant municipality.*

Special Expatriate Tax Regime

There is no special tax regime for taxation of expatriates in Bulgaria. However, certain income of non-resident individuals is subject to one-off tax through withholding or self-payment (please refer to the withholding tax section).

Other Taxes and Levies

There are also some other taxes and levies, such as: excise and customs duties, inheritance tax, donation tax, garbage collection fees, tourist tax, tax on insurance premiums, etc.

The exchange rate of BGN is pegged to the EUR at a rate of EUR 1 = BGN 1.95583.

The minimal monthly salary is fixed at the amount of BGN 650 as of January 1, 2021.

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