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Tax newsletter
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Improved R&D incentives and electric vehicle tax stimuli introduced in Bulgaria

On 27 March 2026 amendments to the Bulgarian Corporate Income Tax Act (CITA) were published in the State Gazette, featuring improved tax incentives with respect to research & development (R&D activities), as well as tax stimuli for electric vehicles.

In addition to immediate tax deductibility, R&D investment OPEX will now allow taxpayers an additional deduction of 25% of these costs (so-called "super deduction").

R&D investment CAPEX will be subject to a new treatment, with R&D fixed assets now being subject to a 25% deemed increase in the acquisition value of the asset for tax purposes. The added tax value will mean that taxpayers can enjoy their super deduction as part of the higher tax depreciation allowed for each period in the useful life of the R&D fixed asset.

The changes in more detail

R&D activities – conditions & caveats

To widen the application scope of the new rules, R&D activities have also received an updated definition covering in particular the research aspects of such activities, where the previous definition was based exclusively on their development aspect. Investment in both fundamental research and applied research may qualify for the improved tax incentives.

To qualify for the super deduction, the expenses need to simultaneously fulfill an updated list of conditions:

1. The expenses have been incurred in connection with R&D activities.
2. If the R&D activities have been awarded with a tender, arm's length conditions have been observed.
3. No public finance aid of any kind has been obtained either from the Bulgarian state, another EU Member state, or from the EU as a whole with respect to these expenses. This condition needs to be satisfied both for the entity and for the group as a whole.
4. All other conditions of the CIT Act have been duly satisfied.

The previous rule under which taxpayers were entitled to immediate deductibility of their R&D CAPEX based on certain conditions, no longer applies.

Electric vehicles – accelerated tax depreciation

Electric vehicles will now benefit from an accelerated tax depreciation of up to 50% per annum, compared to 25% per annum for other motor vehicles.

The change will only affect electric vehicles acquired on 1 January 2026 at the earliest.

Additional considerations

- The amendments to the CIT Act are in force as of 1 January 2026.
- Questions may arise with respect to the super deduction of some expenses concerning R&D activities, especially in instances where costs are recharged to a group entity in accordance with transfer pricing rules.
- The particular fact pattern concerning R&D activities will be critical in assessing any risks and opportunities with respect to the applicability of the reworked tax incentives to your business.

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