



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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