



TAXATION

The main taxation-related laws in Bulgaria are the **Corporate Income Tax Act** and the **Income Taxes on Natural Persons Act**.

Corporate Income Tax Act regulates the taxation of profit and income of both resident and non-resident entities where the income originates from a source in Bulgaria. The **corporate income (profit) tax is 10%**. The Bulgarian-source incomes of foreign entities, realised without business seat in the country, are subject to a 10% final withholding tax at the source. If the foreign entities have a kind of resident representation, then the respective resident entity is taxed (Art. 200 (2) in reference with Art. 195 of the Corporate Income Tax Act). Dividends and liquidation proceeds payable by residents to foreign legal entities are subject to a **5% final withholding tax at the source** (Art. 200 (1) with reference to Art. 194 of the Corporate Income Tax Act).

Withholding tax rates could differ depending on the provisions of Double Taxation Agreements between Bulgaria and other countries.

Capital gains from transactions in shares of public companies on the regulated stock market are not subject to withholding tax.

Income Taxes on Natural Persons Act lays down the rules on taxation of the income of individuals, residents, non-residents, sole-traders as well as the income of certain corporations. Tax procedures apply equally to both national and foreign investors if they are natural persons. Bulgarian residents are taxed on their worldwide income and non-resident individuals are taxed on their Bulgarian-source income. Effective since January 1, 2008, a **10% flat tax** on personal income has been introduced. Dividends and liquidation proceeds payable by resident entities to both resident and foreign natural persons are subject to a **5% final withholding tax** at the source. When a foreign individual is treated as a resident for tax purposes of a country - member of

the European Union or in another country - member of the European Economic Area, then certain incomes are not subject to tax (Art. 37 (7) of the Income Taxes on Natural Persons Act).

According to the Value Added Tax Act the **VAT in Bulgaria is 20%**.

Currency Law regulates:

1. transactions and payments between residents and non-residents;
2. cross-border transfers and payments;
3. foreign exchange transactions in the line of business;
4. transactions in precious metals and precious stones, and articles made therewith or thereof in the line of business, as well as their cross-border transportation and processing;
5. cross-border transportation of cash;
6. collection, maintenance and reporting of statistical information on the balance of payments and international investment position of Bulgaria;
7. exercising of foreign exchange control.

Extracts from the Currency Law are available below:

Freedom to Conduct Transactions and Operations and to Make Payments

Art. 2 (1) Unless otherwise provided for by law, all operations, transactions and payments referred to in Article 1, items 1 through 5 shall be effected freely.

Cross-border Transportation of Cash

Art. 11 (1) Natural persons may transport unlimited amounts of cash across national borders.

Exchange Rates of Foreign Currencies against the Bulgarian Lev

Art. 12 (1) The Bulgarian National Bank shall quote daily the exchange rates of selected foreign currencies against the Bulgarian lev, which are used for statistical and accounting purposes.

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