

Income Taxes on Natural Persons Act

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*Note: An update of the English text of this Act is being prepared

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Text in Bulgarian: Закон за данъците върху доходите на физическите лица

PART ONE

GENERAL PROVISIONS

Chapter One

SUBJECT MATTER, SCOPE OF TAXATION AND TAXABLE PERSONS

Subject Matter of Act

Article 1. This Act regulates taxation of income accruing to natural persons, including income from activity in a sole-trader capacity.

Scope of Taxation

Article 2. Taxation under this Act shall apply to income accruing to resident and non-resident natural persons.

Taxable Persons

Article 3. Taxable persons under this Act shall be:

1. any resident and non-resident natural persons, who are liable to taxes under this Act;
2. any resident and non-resident persons, who are obligated to withhold and remit taxes under this Act.

Resident Natural Persons

Article 4. (1) "Resident natural person," regardless of nationality, shall be any person:

1. who has a permanent address in Bulgaria, or
2. who is present within the territory of Bulgaria for a period exceeding 183 days in any

twelve-month period, or

3. who is sent abroad by the Bulgarian State, by bodies and/or organizations thereof, by Bulgarian enterprises, and the members of the family of any such person, or

4. whose centre of vital interests is situated in Bulgaria.

(2) For the purposes of Item 2 of Paragraph (1), a person shall be deemed to be a resident during the year wherewithin the presence thereof in Bulgaria exceeds 183 days. The day of exit from and the day of entry into the country shall be treated separately as days of presence in the country.

(3) For the purposes of Item 2 of Paragraph (1), the period of residence in Bulgaria for the sole purpose of study or medical treatment shall not be deemed to be a presence in Bulgaria.

(4) For the purposes of Item 4 of Paragraph (1), the centre of vital interests shall be situated in Bulgaria where the interests of the person are closely related to the country. Upon determination of such interests, consideration may be given to family, property, the place from which the person carries out a labour, professional or economic activity, and the place from which the person manages the property thereof.

(5) Any person, who has a permanent address in Bulgaria but whose centre of vital interests is not situated in the country, shall not be a resident natural person.

Non-resident Natural Persons

Article 5. "Non-resident natural person" shall be any person who is not a resident person within the meaning given by Article 4 herein.

Liability for Tax of Resident Natural Persons

Article 6. (1) Any resident natural person shall be liable to taxes in respect of any income acquired thereby from sources inside and outside the Republic of Bulgaria.

Liability for Tax of Non-resident Natural Persons

Article 7. Any non-resident natural person shall be liable to taxes in respect of any income acquired thereby from sources inside the Republic of Bulgaria.

Sources of Income inside Republic of Bulgaria

Article 8. (1) Any income derived from economic activity carried out through a fixed base within the territory of the Republic of Bulgaria or from disposition of the property of any such fixed base shall have its source inside the Republic of Bulgaria.

(2) Any income derived from work performed within the territory of the Republic of Bulgaria, or from services performed within the territory of the Republic of Bulgaria, shall have its source inside the Republic of Bulgaria.

(3) Any dividends and share in any liquidation surplus, arising from participating interests in resident legal persons and unincorporated associations, including agreements on joint activity,

shall have their source inside the Republic of Bulgaria.

(4) Any income derived from transfer of the enterprise of a sole trader registered in the Republic of Bulgaria shall have its source inside the Republic of Bulgaria, regardless of whether the transferor is a resident person.

(5) (Amended, SG No. 113/2007) Any prizes and remunerations for activity performed within the territory of the country by non-resident natural persons who are public figures, or such active in science, art, culture and sports, including where the income has been paid/charged through a third party, such as a performer-management agency, a production company and other intermediaries, shall have its source inside the country.

(6) The following income, charged/paid by resident persons, by representative offices, as well as by a permanent establishment or a fixed base in the Republic of Bulgaria, shall likewise have its source inside the Republic of Bulgaria:

1. any damages and indemnities accruing in lieu of or together with another income from a source inside the Republic of Bulgaria;

2. any cash prizes and merchandise awards awarded at games, competitions and contests which are not provided by an employer or a commissioning entity;

3. any remunerations other than remunerations under an employment relationship, paid to: an employee or a member of a management or supervisory body of a Bulgarian legal person, of a subsidiary wholly owned by a non-resident person, an employee of a representative office of a non-resident person, or to any other person who performs identical or similar functions;

4. any interest payments, including interest within payments under a lease contract;

5. any income from rent or other provision for use of movable or immovable property;

6. any payments received under franchising agreements and factoring contracts;

7. any copyright and licence royalties;

8. any technical assistance fees;

9. any compensations under management contracts;

10. (new, SG No. 113/2007) any scholarships for study in Bulgaria and abroad;

11. (new, SG No. 113/2007) any income from social and commercial insurance.

(7) (Amended, SG No. 113/2007) Any income covered under Paragraph (6), which is charged by resident legal persons or by resident sole traders through a permanent establishment or a fixed base outside the country or which are paid by resident natural persons through a fixed base outside the country, shall not have its source inside the country.

(8) Any income derived from shares, interests, compensation instruments, investment vouchers and other financial assets, issued by the Bulgarian State, the municipalities, resident legal persons, unincorporated associations and other forms of joint activity, as well as from any transactions therein, shall have its source inside Bulgaria.

(9) Any income derived from agriculture, forestry, hunting ground management and fisheries within the territory of the country shall have its source inside the country.

(10) Any income derived from use, sale, exchange or other transfer of immovable property, including any such transfer of an undivided interest in or a limited right in rem to any such property situated within the territory of the country, shall have its source inside the country.

(11) Upon determination of the source of income under this Article, the place of payment of the income shall be ignored.

Documenting and Accounting for Income

Article 9. (1) The taxable persons shall be obligated to register and account for any sale of goods and services as effected by means of issuing a fiscal cash receipt according to a procedure established by an ordinance of the Minister of Finance, except where payment is effected by bank transfer or through an offset.

(2) Any taxable persons, who are not obligated to issue a fiscal cash receipt printed by a fiscal device according to Paragraph (1), shall issue a document on the income acquired thereby from sources referred to in Items 3 and 4 of Article 10 (1) herein, containing the essential elements covered under Article 7 (1) of the Accountancy Act.

(3) The provisions of Paragraph (2) shall not apply to any income in respect of which, upon the acquisition thereof, the payer of the income issues a Statement of Amounts Paid or where a final tax has been levied on the income according to the procedure established by Chapter Six herein.

Chapter Two

INCOME AND TAXES

Types of Income

Article 10. (1) Depending on the source, there shall be the following types of income under this Act:

1. income from employment relationships;
2. income from economic activity in a sole-trader capacity;
3. income from other economic activity;
4. income from rent or from other onerous provision for use of rights or property;

5. income from transfer of rights or property;

6. (amended, SG No. 113/2007) income from sources referred to in Article 35 herein, as well as income whereon final taxes are leviable under this Act.

(2) Depending on the form of payment, income may be cash and non-cash.

(3) Any income derived in a foreign currency shall be translated into Bulgarian lev terms along the exchange rate of the Bulgarian National Bank as applicable at the date of acquisition.

(4) The non-cash income shall be translated into Bulgarian lev terms at market price at the date of acquisition.

Acquisition of Income

Article 11. (1) Save as otherwise provided for by this Act, any income shall be deemed to be acquired on the date of:

1. payment: in the case of cash payment;

2. crediting the account of the recipient of the income or receipt of the cheque: in the case of non-cash payment;

3. receipt of the consideration: in the case of non-cash income.

(2) In the cases of sale, exchange or other onerous transfer of rights or property covered under Article 33 (3) herein, the income shall be deemed to be acquired as at the date of the transfer.

(3) Income shall furthermore be deemed to be acquired by a natural person where the payment or consideration is received by a third party on the order of the said natural person or under an agreement between the said natural person and the payer. For determination of the date of acquisition, Paragraphs (1) and (2) shall apply.

(4) (Amended, SG No. 113/2007) Any income referred to in Article 33 (11) herein shall be deemed to be acquired on the date of the judgment of court on the transfer with deletion of the sole trader.

Taxable Income

Article 12. (1) Taxability under this Act shall apply to income derived from all sources acquired by a taxable person during the tax year, with the exception of the income which is non-taxable by virtue of a law.

(2) Where deduction of expenses is provided for in this Act, the expenses determined under this Act shall be taken into consideration upon determination of the taxable income from the relevant source.

Non-Taxable Income

Article 13. (1) Taxability shall not apply to:

1. any income acquired during the tax year from the sale or exchange of:

(a) (amended, SG No. 95/2009, effective 1.01.2010) one residential immovable property, provided that more than three years have elapsed between the date of acquisition and the date of sale or exchange;

(b) up to two immovable properties, as well as any number of agricultural and forest properties, provided that more than five years have elapsed between the date of acquisition and the date of sale or exchange;

2. any income accruing from the sale or exchange of movable property, with the exception of:

(a) means of transport by road, air and water, provided that the period from the date of acquisition to the date of sale or exchange is less than one year;

(b) works of art, collectors' items and antiques;

(c) shares, interests, compensation instruments, investment vouchers and other financial assets, as well as the income accruing from trade in foreign exchange;

(d) movable property delivered to persons who have the right to carry out collection, transport, recovery or disposal of waste in accordance with the Waste Management Act;

3. (amended, SG No. 106/2008, effective 1.01.2009) any income accruing from disposition of financial instruments within the meaning given by Item 11 of § 1 of the Supplementary Provisions herein;

4. any profit or another source of owners' equity distributed in the form of new interests and shares in commercial corporations, as well as any profit or another source of owners' equity distributed in the form of an increase of the nominal value of the previously issued interests and shares;

5. any income accruing to persons indemnified according to the procedure of a statutory instrument from the sale or exchange of compensation instruments and investment vouchers received as indemnity;

6. any income accruing from compulsory social insurance in Bulgaria or abroad;

7. any income accruing from supplementary voluntary social insurance received after attainment of entitlement to supplementary pension; any income accruing from investment of the technical provisions received under contracts of insurance; and income accruing from investments of the assets of the supplementary retirement insurance funds, apportioned to the individual accounts of the insured persons;

8. (amended, SG No. 106/2008, effective 1.01.2009) any interest paid on accounts and deposits with any commercial bank and branch of a foreign bank established in a Member State of the European Union, or in another State which is a Contracting Party to the Agreement on the European Economic Area;

9. (amended, SG No. 32/2009, effective 1.01.2010) any interest paid and discounts made on Bulgarian government, municipal and corporate bonds; as well as on similar bonds issued according to the legislation of another Member State of the European Union or of a State which is a Contracting Party to the Agreement on the European Economic Area;

10. any interest on claims established by a court of law, which are not subject to taxation, and any indemnities awarded for court costs;

11. any compensations and other such payments awarded for medium and grievous bodily harm, occupational disease or death;

12. any compensations for property taken by eminent domain for state and municipal needs;

13. any compensations for damage to property and personal injury, with the exception of the compensations for lost profit;

14. any insurance benefits, when an insured event has incurred;

15. any social assistance allowances and benefits received in pursuance of the Integration of Persons with Disabilities Act, the Child Protection Act, the Family Allowances Act or of another statutory instrument, as well as any unemployment benefits and allowances received in pursuance of a statutory instrument;

16. any assistance from organizations with social activity, established by a law, and from not-for-profit legal entities registered for pursuit of public benefit activities;

17. any amounts received in pursuance of the Family Allowances Act, as well as any alimony and child support payments received by entities according to the provisions of the Family Code;

18. any scholarships in favour of natural persons for the study thereof in Bulgaria and abroad;

19. any sums of money and merchandise awards received in pursuance of a statutory instrument by donors of blood, blood components and biological products for human purposes;

20. any winnings and merchandise awards received through participation in games of chance within the meaning given by the Gambling Act;

21. (amended, SG No. 113/2007) any winnings and merchandise awards received through participation in games other than those referred to in Item 20, or in other games in which the

winnings are determined by chance;

22. any government and national awards granted to creative artists in the field of culture and to athletes, as well as any prizes of laureates of competitions under projects and programmes financed in whole or in part by the Culture National Fund;

23. (amended, SG No. 106/2008, effective 1.01.2009) any sums received for travel and accommodation expenses under legal relationships other than employment relationships, where for the account of the commissioning entity and where documented according to the procedure established by effective legislation, as well as the per diem expenses, but not more than their double amount fixed for persons under employment relationships;

24. any income derived from ground rent, rent charge or from other onerous provision for use of agricultural land;

25. any remunerations drawn by: the members of the staff of diplomatic missions in accordance with the Vienna Convention on Diplomatic Relations; the members of consulates in accordance with the Vienna Convention on Consular Relations; the employees of inter-state and inter-governmental organizations according to the international treaty concluded with the respective organization, and the members of the family of any such persons, insofar as this is provided for in the relevant international treaty;

26. any income accruing from the sale or exchange of any property acquired by legal or testamentary succession, as well as of any property restituted according to the procedure established by a statutory instrument;

27. any consumer dividends distributed by cooperatives established under the Cooperatives Act.

(2) (Amended, SG No. 95/2009, effective 1.01.2010) Any property devolved by legal or testamentary succession or acquired by donation, as well as any property received with a restored right of ownership according to the procedure established by a statutory instrument, shall not be treated as income.

(3) (Repealed, SG No. 95/2009, effective 1.01.2010).

(4) (New, SG No. 95/2009, effective 1.01.2010) No tax shall be assessed at the date of acquisition of any shares and interests allotted in consideration of non-cash contributions made to commercial corporations.

(5) (Renumbered from Paragraph (4), amended, SG No. 95/2009, effective 1.01.2010) The provisions of Paragraphs (1), (2) and (4) shall not apply to any income accruing from economic activity in a merchant capacity within the meaning given by the Commerce Act, including in a sole-trader capacity.

Taxation of Income

Article 14. (Amended, SG No. 113/2007) (1) A tax on the aggregate annual taxable amount

shall be levied on the income covered under Chapter Five herein which has been acquired during the tax year, with the exception of the income from economic activity in a sole-trader capacity.

(2) A tax on the annual taxable amount under Article 28 herein shall be levied on the income from economic activity in a sole-trader capacity.

(3) A final tax shall be levied on the income covered under Chapter Six herein.

(4) Natural persons, including sole traders, shall be liable to a licence tax for income from licence activities under the terms and according to the procedure established by the Local Taxes and Fees Act. The persons shall be taxed on the income from any other activities according to the procedure established by this Act.

PART TWO

AGGREGATE ANNUAL TAXABLE AMOUNT

Chapter Three

GENERAL PROVISIONS

Tax Year

Article 15. (1) The tax year shall be concurrent with the calendar year.

Determination of Taxable Income and of Taxable Amount

Article 16. (1) The taxable income and the taxable amount shall be determined for each source of income separately according to the provisions of this Act.

(2) (Supplemented, SG No. 113/2007) Any income subject to levy of final taxes according to the procedure established by this Act or of final taxes according to the procedure established by the Corporate Income Tax Act, as well as any income subject to levy of a licence tax according to the procedure established by the Local Taxes and Fees Act, shall be excluded upon determination of the taxable income.

Aggregate Annual Taxable Amount

Article 17. (Amended, SG No. 113/2007) The aggregate annual taxable amount shall be the sum total of the annual taxable amounts under Articles 25, 30, 32, 34 and 36 herein, net of the tax reliefs provided for in this Act.

Chapter Four

TAX RELIEFS

Tax Relief for Persons with Reduced Working Capacity

Article 18. (Amended, SG No. 113/2007) (1) The sum total of the annual taxable amounts referred to in Article 17 herein for any person who has lost 50 per cent and more than 50 per cent of the working capacity thereof, which loss has been determined by an effective decision of a competent authority, shall be debited with BGN 7,920, including for the year of occurrence of the

loss of working capacity and for the year of expiry of validity of the decision.

(2) The monthly taxable amount under Article 42 (2) herein in respect of income from employment relationships accruing to any person who has lost 50 per cent and more than 50 per cent of the working capacity thereof, shall be debited with BGN 660, including for the month of occurrence of the loss of working capacity and for the month of expiry of validity of the decision.

Tax Relief for Personal Voluntary Social and Commercial Insurance Contributions

Article 19. (1) (Amended, SG No. 113/2007) The sum total of the annual taxable amounts under Article 17 herein shall be debited with any personal voluntary social insurance contributions made during the year to an aggregate amount not exceeding 10 per cent of the sum total of the annual taxable amounts under Article 17 herein, as well as with any personal voluntary health insurance contributions and premiums/payments remitted during the year under contracts of life assurance to an aggregate amount not exceeding 10 per cent of the sum total of the annual taxable amounts under Article 17 herein.

(2) (Amended, SG No. 113/2007) The monthly taxable amount under Article 42 (2) herein, in respect of income from employment relationships, shall be debited with the personal supplementary social insurance contributions remitted during the month through an employer, to an aggregate amount not exceeding 10 per cent of the monthly taxable amount under Article 42 (2) herein, as well as with the personal voluntary health insurance contributions and premiums/payments remitted during the month under contracts of life assurance for the account of the person to an aggregate amount not exceeding 10 per cent of the monthly taxable amount under Article 42 (2) herein.

(3) The tax relief referred to in Paragraphs (1) and (2) shall be enjoyable where, according to the contract concluded with the commercial insurance company or social insurance company, the natural person who is liable for the tax is commercially or socially insured.

(4) The tax relief referred to in Paragraphs (1) and (2) shall furthermore be enjoyable where, by agreement with the persons, the commercial insurance company or the social insurance company is replaced and the resources raised theretofore are moved by bank transfer.

Tax Relief for Personal Contributions for Contributory Service upon Retirement

Article 20. (Supplemented, SG No. 113/2007) The sum total of the annual taxable amounts under Article 17 shall be debited with the social insurance contributions remitted during the year for the account of the person under § 9 of the Transitional and Final Provisions of the Social Insurance Code.

Order of Enjoyment of Tax Reliefs

Article 21. (Amended, SG No. 113/2007) The tax reliefs covered under Article 18 (1), Article 19 (1) and Article 20 herein shall be enjoyable in the following order:

1. from the sum total of the annual taxable amounts under Articles 25, 30, 32, 34 and 36 herein;

2. from the annual taxable amount under Article 28 (1) herein - in respect of income from

economic activity in a sole-trader capacity.

Tax Relief for Donations

Article 22. (1) (Amended, SG No. 113/2007) The sum total of the annual taxable amounts under Article 17 herein shall be debited with any donations made during the year:

1. (amended, SG No. 113/2007) up to 5 per cent, where the donation is in favour of:

- (a) any health-care facilities covered under Items 1 to 3 of Article 21 (2) of the Health Act;
- (b) any medical-treatment facilities;
- (c) any specialized institutions for provision of social services according to the Social Assistance Act, as well as of the Social Assistance Agency and of the Social Assistance Fund under the Minister of Labour and Social Policy;
- (d) any specialized child institutions according to the Child Protection Act, as well as of any care homes for children deprived of parental care according to the Public Education Act;
- (e) any creches, kindergartens, schools, higher schools or academies;
- (f) any public-financed enterprises, within the meaning given by the Accountancy Act;
- (g) any religious denominations registered in the country;
- (h) any specialized enterprises or cooperatives of persons with disabilities, entered in the register referred to in Article 29 of the Integration of Persons with Disabilities Act, as well as in favour of the Agency for Persons with Disabilities;
- (i) the Bulgarian Red Cross;
- (j) any cultural institutes, any chitalishtes, as well as for the purposes of cultural, educational or research exchange under an international treaty whereto the Republic of Bulgaria is a party;
- (k) any not-for-profit legal entities, registered in the Central Register of Non-Profit Legal Entities for pursuit of public benefit activities, with the exception of organizations supporting culture within the meaning of the Financial Support for Culture Act;
- (l) the Bulgaria Energy Efficiency Fund;
- (m) any therapeutic communities for narcotics-dependent persons, as well as of narcotics-dependent persons for the therapy thereof.
- (n) (new, SG No. 106/2008, effective 1.01.2009) the United Nations Children's Fund (UNICEF);

2. up to 15 per cent for a donation for culture;

3. (supplemented, SG No. 95/2009, effective 1.01.2010) up to 50 per cent, where the donation is in favour of the Fund for Medical Treatment of Children Centre, the Assisted Reproduction Fund Centre and/or the Transplantation Fund Centre.

(2) The aggregate amount of the tax relief for donations may not exceeding 65 per cent of the sum total of the annual taxable amounts referred to in Paragraph (1).

(3) Where the donation is a non-cash asset, the amount thereof shall be the cost of acquisition as shown in the documents on acquisition of the gift by the donor, provided that the said acquisition occurred within three months before the date of donation. In the rest of the cases, the amount of the donation shall be the market price at the date of provision of the gift.

(4) The date of acquisition of the donation by the donee within the meaning given by Article 11 herein shall be deemed to be the date on which the donation was made.

(5) (Repealed, SG No. 113/2007, new, SG No. 32/2009, effective 1.01.2010) Tax relief for donations shall furthermore be enjoyable for donations made in favour of persons identical or similar to those listed in Paragraph (1), which are established in another Member State of the European Union or in a State which is a Contracting Party to the Agreement on the European Economic Area.

Tax Relief for Young Married Couples

Article 22a. (New, SG No. 106/2008, effective 1.01.2009, repealed, SG No. 95/2009, effective 1.01.2010, new, SG No. 99/2009, effective 1.01.2010) (1) Local natural persons may use a tax relief for young families by deducting, from the sum total of the annual tax bases under Article 17, the interest payments made during the relevant year under mortgage credits intended for purchasing a home, where the following conditions are met simultaneously:

1. the mortgage credit agreement has been concluded by the taxable person and/or by a spouse with whom they have civil marriage;

2. the tax liable person and/or the spouse were below the age of 35 at the time of conclusion of the mortgage credit agreement;

3. the mortgaged home has been the only home for the family during the tax year.

(2) Where the amount of the mortgage credit exceeds BGN 100,000, the tax relief referred to in paragraph 1 can be used for interest payments made during the year in respect of the first BGN 100,000 of the principal.

(3) The tax relief shall be used up to the sum total of the annual tax bases under Article 17 and provided that the tax liable person submits a written declaration by his/her spouse that she/he will not use the tax relief for the relevant tax year.

(4) The circumstances and conditions under paragraphs 1 - 3 shall be declared by the person in the annual tax return under Article 50.

Enjoyment of Tax Reliefs

Article 23. The tax reliefs shall be enjoyed by submission of a tax return under Article 50 herein, attaching thereto:

1. (amended, SG No. 95/2009, effective 1.01.2010) a copy of a valid decision of the Territorial Medical Expert Board/Paediatric Medical Expert Board/National Medical Expert Board: in respect of the tax relief referred to in Article 18 herein;

2. copies of the documents certifying the contributions made: in respect of the tax relief referred to in Article 20 herein;

3. (repealed, SG No. 113/2007);

4. (supplemented, SG No. 32/2009, effective, 1.01.2010) copies of documents certifying that the donee is among the persons listed in Article 22, para (1) herein and that the gift has been received: in respect of the tax relief covered under Article 22, para (1) herein;

5. (new, SG No. 106/2008, effective 1.01.2009, repealed, SG No. 95/2009, effective 1.01.2010, new, SG No. 99/2009, effective 1.01.2010) a document issued by the lending bank which certifies the amount of the interest payments made during the year pertaining to the first BGN 100,000 of the principal of the mortgage credit for the purchase of a home: in respect of the tax relief referred to in Article 22a.

6. (new, SG No. 32/2009, effective 1.01.2010) an official legalized 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: in the cases referred to in Article 22 (5) herein.

Chapter Five

ANNUAL TAXABLE AMOUNTS

Section I

Income from Employment Relationships

Taxable Income

Article 24. (1) The taxable income accruing from employment relationships shall comprehend the labour remuneration and all other payments in cash and/or in kind from an employer or for the account of an employer with the exception of the income covered under Paragraph (2).

(2) The taxable income from employment relationships shall exclude:

1. the value of:

(a) the free food and/or food additives, provided in kind under Article 285 of the Labour

Code;

(b) the free preventive food and antidotes provided in kind according to the procedure established by other laws;

(c) the free food provided in kind to: members of ships crews for the days of service, fishermen for the days of catch, and divers for the days of diving, to the duty personnel working 12-hour shifts at medical-treatment facilities, to surgical teams, emergency medical care teams and to blood collection teams;

(d) (supplemented, SG No. 28/2008, amended, SG No. 35/2009, SG No. 16/2010, effective 26.02.2010) the free food provided to servicepersons and civilian employees according to Item 3 of Article 224 (1) and Items 1 and 2 of Article 286 (1) of the Republic of Bulgaria Defence and Armed Forces Act and to the personnel members according to Item 1 of Article 74 (2) of the State Agency for National Security Act;

(e) (Supplemented, SG No. 28/2008, amended and supplemented, SG No. 43/2008, supplemented, SG No. 25/2009, amended, SG No. 35/2009, effective 12.05.2009, amended and supplemented, SG No. 16/2010, effective 26.02.2010) the monetary ration allowance paid in pursuance of the Civil Aviation Act, the Implementation of Penal Sanctions and Detention in Custody Act, the State Agency for National Security Act, the Republic of Bulgaria Defence and Armed Forces Act and the amounts referred to in Article 204 (1) of the Ministry of Interior Act.

(f) the food vouchers received in the amount and according to the procedure established by the Corporate Income Tax Act;

2. the value of the special working clothes and individual protective means which are provided in kind under terms and according to a procedure provided for in a statutory instrument;

3. the value of the working clothes, uniforms and presentable clothing provided under terms and according to a procedure provided for in a statutory instrument;

4. (amended and supplemented, SG No. 28/2008) the general supplies and accoutrements ensured in pursuance of the Ministry of Interior Act, the Republic of Bulgaria Defence and Armed Forces Act, and the State Agency for National Security Act;

5. the value of:

(a) any travel and accommodation expenses, where documented according to the procedure established by effective legislation;

(b) any per diem expenses, but not more than the double amount thereof as stated in a statutory instrument;

6. (amended and supplemented, SG No. 113/2007) any additional food expenses which are paid in lieu of per diem expenses to factory and office workers in road transport and rail transport, in dining cars, in mobile post offices, in mobile security protection and in other such

activities whereat the work duties are performed during travel to another nucleated settlement or facility: up to the double amount of the minimum amount of such additional expenses as fixed in a statutory instrument;

7. (amended and supplemented, SG No. 28/2008, amended, SG No. 35/2009, effective 12.05.2009, SG No. 16/2010, effective 26.02.2010) the compensation amounts referred to in Article 226c (1) and Article 298a of the Republic of Bulgaria Defence and Armed Forces Act, in Article 210 of the Ministry of Interior Act and in Article 81 of the State Agency for National Security Act;

8. (amended, SG No. 64/2007, supplemented, SG No. 28/2008, amended, SG No. 35/2009, effective 12.05.2009, SG No. 95/2009, effective 1.01.2010) any compensations covered under Article 200, Items 1 and 2 of Article 216 (1), Article 216 (2) and (3), Article 222 (2) and (3) and Article 226 (3) of the Labour Code, any compensations covered under Article 227, 229 and 232 of the Republic of Bulgaria Defence and Armed Forces Act, under Article 204 (4) and Article 252 of the Ministry of Interior Act, under Article 74 (4) and Article 117 of the State Agency for National Security Act, under Article 225, Article 277, (3) and Article 354 of the Judiciary System Act, and any compensations covered under Article 78, Article 81b (4), Article 82 (5), Article 85 (5), Article 104 (3) and (4) and Article 106 (3) of the Civil Servants Act;

9. any expenses on fringe benefits for the account of the employer, as taxed according to the procedure established by the Corporate Income Tax Act, as well as any expenses on transport from the place of residence to the place of work for the account of the employer, which are not subject to taxation according to the Corporate Income Tax Act;

10. the lump-sum allowances for medical treatment, provided by the employer for the account of the expenses on fringe benefits: up to the value of the treatment;

11. (amended, SG No. 113/2007) the value of the lump-sum allowances provided by the employer for the account of the expenses on fringe benefits upon: child birth, contracting of civil marriage or death of a member of the family: not exceeding, in aggregate, BGN 2,400;

12. (supplemented, SG No. 113/2007) the expenses on fringe benefits incurred by the employer of up to BGN 60 monthly for each insured person on payments/premiums for supplementary voluntary social insurance, voluntary health insurance and/or life assurance, as reported by the enterprises and the representative offices, regardless of whether they carry out economic activity;

13. the expenses incurred by the employer on any commercial insurances defined as compulsory by a statutory instrument;

14. (supplemented, SG No. 113/2007) the benefits and allowances covered under Part One of the Social Insurance Code, including such benefits and allowances paid in pursuance of Article 40 (4) of the same Code;

15. the cash prizes and merchandise awards received in pursuance of and according to the procedure established by a statutory instrument;

16. (amended and supplemented, SG No. 28/2008, amended, SG No. 35/2009, effective 12.05.2009, SG No. 16/2010, effective 26.02.2010) the cash referred to in Article 226h and Article 298a of the Republic of Bulgaria Defence and Armed Forces Act, in Article 204 (5) of the Ministry of Interior Act and in Article 76 (1) of the State Agency for National Security Act.

Annual Taxable Amount

Article 25. (Supplemented, SG No. 113/2007) (1) (Redesignated from Article 25, SG No. 95/2009, effective 1.01.2010) The annual taxable amount in respect of the income from employment relationships shall be determined by debiting the taxable income referred to in Article 24 herein, acquired by the taxable person during the tax year, with the compulsory social insurance contributions withheld by the employer which are for the account of the natural person, according to the procedure established by the Social Insurance Code and of the Health Insurance Act, as well as with the compulsory social insurance contributions remitted abroad, which are for the account of the natural person.

(2) (New, SG No. 95/2009, effective 1.01.2010) The annual taxable amount referred to in Paragraph (1) of any self-insured persons who have acquired any income from employment relationships referred to in Item 26 (i) of § 1 of the Supplementary Provisions herein shall furthermore be debited with the social insurance contributions which the self-insured person is obligated to make for the tax year for his or her own account according to the procedure established by the Social Insurance Code and the Health Insurance Act.

(3) (New, SG No. 95/2009, effective 1.01.2010) The annual taxable amount in respect of the income acquired in a seafarer capacity shall be 10 per cent of the annual taxable amount as determined under Paragraph (1).

Section II

Income from Activity in Sole-Trader Capacity

Taxable Income

Article 26. (1) The taxable income accruing from activity in a sole-trader capacity shall be the taxable profit formed according to the procedure established by the Corporate Income Tax Act, including the financial result from the transfer of the sole trader's enterprise without deletion of the sole trader in the Commercial Register.

(2) The taxable income referred to in Paragraph (1) shall exclude the accounting financial result formed by activities:

1. on which alternative taxes are levied under the Corporate Income Tax Act;
2. (amended, SG No. 113/2007) on which a licence tax is levied according to the procedure established by the Local Taxes and Fees Act;
3. (repealed, SG No. 95/2009, effective 1.01.2010).

(3) Upon formation of the tax profit, sole traders shall apply the provisions on carry-forward of a tax loss under the Corporate Income Tax Act.

(4) For the purposes of determining the taxable income referred to in Paragraph (2), the portion of undistributable expenses corresponding to the activities referred to in Paragraph (2) shall be arrived at by multiplying the total amount of undistributable income/expenses by the proportion of the net income accruing from the activities referred to in Paragraph (2) and all net income from sales.

(5) Any sole traders, who carry out activities which are subject to levy of alternative tax within the meaning given by the Corporate Income Tax Act, shall be taxed under the terms and according to the procedure established by the said Act.

(6) (New, SG No. 106/2008, effective 1.01.2009) The taxable income referred to in Paragraph (1) shall furthermore include any excess over the double amount, specified in a statutory instrument, of the per diem expenses of the owner of the enterprise of the sole trader.

(7) (Renumbered from Paragraph (6) and amended, SG No. 106/2008, effective 1.01.2009) Taxability according to Paragraphs (1) to (6) shall furthermore apply to any income from economic activity accruing to a natural person who is a merchant within the meaning given by the Commerce Act but is not registered as a sole trader.

Use of Natural Person's Personal Property for Activity in Sole-Trader Capacity

Article 27. (1) Any natural person, who owns the sole trader's enterprise, may incorporate into the property of the sole trader any items of movable and immovable property acquired by the said person which:

1. are not in a co-ownership regime, or
2. are not part of community property.

(2) The items of property referred to in Paragraph (1) shall be entered into the accounts of the sole trader at the documented cost of acquisition thereof.

(3) In the cases under Paragraph (1), the natural person who owns the sole trader shall draw up a memorandum, stating therein the type of the item of property and the cost referred to in Paragraph (2).

(4) In the cases referred to in Item 2 of Paragraph (1), the other spouse shall declare, by a notarized declaration, the consent thereof to incorporation of the item of property into the property of the sole trader.

(5) If any item of property referred to in Paragraph (1) be subsequently excluded from the property of the sole trader and passes to the natural-person owner, for tax purposes the natural person who owns the sole trader shall be deemed to effect a sale of the said item of property at a market price, notwithstanding the circumstances covered under Article 13 herein. The taxable income shall be determined as a difference between:

1. the market price and the tax value: in respect of any tax depreciable assets under the Corporate Income Tax Act;

2. the market price and the documented cost of acquisition: in respect of any other items of property.

(6) The tax temporary differences, within the meaning given by the Corporate Income Tax Act, which are related to any item of property referred to in Paragraph (1), shall not be recognized for tax purposes at the time of the sale referred to in Paragraph (5) and in the subsequent years.

(7) The market price referred to in Paragraph (5) shall be presumed as a cost of acquisition upon a subsequent sale or exchange of the item of property by the natural-person owner, as well as upon a subsequent application of Paragraph (2).

Annual Taxable Amount

Article 28. (Amended, SG No. 113/2007) (1) The annual taxable amount in respect of income from economic activity in a sole-trader capacity shall be determined by debiting the taxable income referred to in Article 26 herein for the tax year with the contributions which the self-insured person is obligated to make for the tax year for his or her own account according to the procedure established by the Social Insurance Code and of the Health Insurance Act, as well as with the compulsory social insurance contributions remitted abroad, which are for the account of the natural person.

(2) The annual taxable amount referred to in Paragraph (1) shall be debited with:

1. any personal voluntary social insurance contributions made during the year to an aggregate amount not exceeding 10 per cent of the annual taxable amount referred to in Paragraph (1), as well as with any personal voluntary health insurance contributions and premiums/payments remitted during the year under contracts of life assurance to an aggregate amount not exceeding 10 per cent of the annual taxable amount referred to in Paragraph (1);

2. the difference between BGN 7,920 and the amount of the relief enjoyed under Article 18 (1) herein, including for the year of occurrence of the loss of working capacity and for the year of expiry of validity of the decision: applicable to persons who have lost 50 per cent and more than 50 per cent of the working capacity thereof, which loss has been determined by an effective decision of a competent authority;

3. the difference between the social insurance contributions under § 9 of the Transitional and Final Provisions of the Social Insurance Code made during the year and the amount of the relief enjoyed under Article 20 herein.

Section III

Income from Other Economic Activity

Taxable Income

Article 29. (Amended, SG No. 113/2007) The taxable income from economic activity accruing to any natural persons who are not merchants within the meaning given by the Commerce Act shall be determined by debiting the income acquired with operating expenses as follows:

1. (new, SG No. 95/2009, effective 1.01.2010) by 60 per cent for any income accruing from the business of production of unprocessed agricultural products carried on by natural persons registered as tobacco producers and agricultural producers, with the exception of any income accruing from growing of ornamental plants.

2. (renumbered from Item 1, SG No. 95/2009, effective 1.01.2010) by 40 per cent for:

(a) (amended, SG No. 95/2009, effective 1.01.2010) any income accruing from the business of production of processed or unprocessed agricultural products (including from the sale of grown ornamental plants), of processed or unprocessed forestry products (including from the harvesting of wild herbs, mushrooms and berries), of processed or unprocessed products of hunting ground management ?? (±IThj?? H?K? ? hunting farms), and of processed or unprocessed fisheries products, carried on by natural persons;

(b) any copyright and licence royalties, including for income from sale of inventions, works of science, culture and art by the authors thereof, as well as for any royalties for performance of performing artists;

(c) any income from the practice of a skilled craft on which a licence tax is not levied according to the procedure established by the Local Taxes and Fees Act;

3. (renumbered from Item 2, SG No. 95/2009, effective 1.01.2010) by 25 per cent for any income from the practice of a liberal profession or any remunerations under non-employment relationships.

Annual Taxable Amount

Article 30. (Supplemented, SG No. 113/2007) The annual taxable amount shall be determined by debiting the taxable income referred to in Article 29 herein, acquired during the tax year, with the contributions which the self-insured person is obligated to make for the tax year for his or her own account or, if the person is not self-insured, with the social insurance contributions withheld, which are for the account of the said person, according to the procedure established by the Social Insurance Code and the Health Insurance Act, as well as with the compulsory social insurance contributions remitted abroad, which are for the account of the natural person.

Section IV

Income from Rent or from Other Onerous Provision for Use of Rights or

Property

Taxable Income

Article 31. (1) (Amended, SG No. 113/2007) The taxable income accruing from rent or from other onerous provision for use of rights or immovable property shall be determined by debiting the income acquired with 10 per cent expenses.

(2) The payments acquired under a lease contract, which does not expressly provide for transfer of the right of ownership to the property, shall be treated as income from rent referred to in Paragraph (1).

(3) The taxable income accruing from any payments under franchising agreements and factoring contracts, as well as under other contracts for provision for use of rights, shall be determined according to the procedure established by Paragraph (1).

Annual Taxable Amount

Article 32. The annual taxable amount for the income accruing to resident natural persons from rent or other onerous provision for use of rights and property shall be determined by debiting the taxable income referred to in Article 31 herein with the contributions which the person is obligated to make for the tax year for his or her own account according to the procedure established by the Health Insurance Act.

Section V

Income from Transfer of Rights or Property

Taxable Income

Article 33. (1) The taxable income accruing from the sale or exchange of immovable property, including of limited rights in rem to any such property, shall be determined by debiting the positive difference between the selling price and the cost of acquisition of any such property with 10 per cent expenses.

(2) The taxable income shall be the positive difference between the selling price and the cost of acquisition upon sale or exchange of:

1. means of transport by road, air and water;
2. works of art, collectors' items and antiques.

(3) The taxable income accruing from the sale or exchange of shares, interests, compensation instruments, investment vouchers and other financial assets, as well as from trade in foreign exchange, shall be the sum total of the profits realized during the year, determined for each particular transaction, debited with the sum total of the losses realized during the year, determined for each particular transaction.

(4) The realized profit/loss referred to in Paragraph (3) shall be determined by debiting the selling price with the cost of acquisition of the financial asset. Where any financial assets of one and the same type, issued by one and the same person, have different costs of acquisition and part of the said assets is subsequently sold and it cannot be proven which part is sold, the cost of

acquisition of each such asset shall be the weighted average price determined on the basis of the cost of acquisition of the financial assets of the same type and issuer held at the date of the sale.

(5) The selling price shall include everything acquired by the person in connection with the sale/exchange, including any consideration other than money.

(6) The cost of acquisition referred to in Paragraphs (1), (2) and (4) shall be:

1. the documented cost of acquisition of the property;

2. the documented cost of acquisition of the property, credited with the documented payment due by the natural person: in the cases of exchange with additional payment;

3. (supplemented, SG No. 113/2007) nil: where there is no documented cost of acquisition, including for any property acquired as a donation, or for any shares and interests received upon distribution of property or another source of owners' equity; the cost of acquisition referred to in Paragraph (1) shall furthermore be nil upon a subsequent sale or exchange of the lot referred to in Item 8, including of limited rights in rem thereto;

4. the documented additional payment due by the natural person: in the cases of exchange with additional payment, where there is no documented cost of acquisition of the property;

5. (supplemented, SG No. 95/2009, effective 1.01.2010) the portion of the non-cash contribution entered in the Memorandum of Incorporation, in the Memorandum of Association or in the Articles of Association of a commercial corporation, corresponding to the shares and interests sold or exchanged: in the cases of non-cash contributions made to a commercial corporation, where the contribution consists of a property the income from the sale or exchange whereof is non-taxable within the meaning given by Article 13 (1) herein at the date of entry of the contribution in the Commercial Register;

6. the market price referred to in Article 10 (4) herein of the property acquired upon exchange: in the cases of sale/exchange of property acquired upon exchange;

7. the documented cost of acquisition of the property, adjusted until 1997 inclusive for the overall consumer price index as announced by the National Statistical Institute: in the cases of sale or exchange of property acquired prior to the 1st day of January 1998.

8. (new, SG No. 113/2007) the documented cost of acquisition of the lot corresponding to the part for which a building right has been created: in the cases of creation of a building right.

9. (new, SG No. 95/2009, effective 1.01.2010) the documented cost of acquisition of the property whereof a non-cash contribution to a commercial corporation consists: in the cases of sale or exchange of shares and interests allotted in consideration of non-cash contributions made to a commercial corporation, with the exception of the cases referred to in Item 5.

(7) Where the selling price referred to in Paragraph (1) is paid by instalments in different tax years, the taxable income shall be determined according to the following formula for each of the

said tax years:



where:

TITY shall be the taxable income for the tax year;

SP shall be the selling price;

CA shall be the cost of acquisition;

PPR shall be the part payment received during the tax year.

(8) Where the selling price referred to in Paragraph (2) is paid by instalments in different tax years, the taxable income shall be determined according to the following formula for each of the said tax years:



where:

TITY shall be the taxable income for the tax year;

SP shall be the selling price;

CA shall be the cost of acquisition;

PPR shall be the part payment received during the tax year.

(9) The income received in connection with the provision of property under a lease contract which expressly provides for transfer of the right of ownership to the property shall be subject to taxation notwithstanding the circumstances covered under Article 13 herein. The taxable income shall be determined according to the following formula:



where:

TITY shall be the taxable income for the tax year;

CP shall be the price of the property as set under the contract;

CA shall be the cost of acquisition;

PR shall be the payments received during the tax year net of interest paid.

(10) (New, SG No. 113/2007) Upon termination of a lease contract, which expressly provides for transfer of the right of ownership prior to the expiry of the term of validity of the contract and without transfer of the right of ownership to the movable or immovable property subject to the contract, the non-refundable lease payments shall be treated as income from use of property accruing at the time of termination. The taxable income, determined according to the procedure established by Article 31 herein, shall be debited with the taxable income determined according to the formula under Paragraph (9), and in this case "PR" shall be the sum total of the non-refundable payments under the lease contracts received during prior tax years.

(11) (Renumbered from Paragraph (10), SG No. 113/2007) The taxable income upon transfer of a sole trader's enterprise with expungement of the sole trader shall be the positive difference between the selling price as set by the contract and the owners' equity of the enterprise.

Annual Taxable Amount

Article 34. The annual taxable amount in respect of the income from transfer of rights or property shall be the taxable income referred to in Article 33 herein, as acquired during the tax year.

Section VI

Income from Other Sources

Taxable Income

Article 35. The taxable income shall be the gross sum total of the taxable incomes acquired during the tax year from:

1. any compensations for lost profit and damages of such nature;
2. any cash prizes and merchandise awards awarded at competitions and contests which are not provided by an employer or a commissioning entity;
3. any interest, including such within payments under a lease contract;
4. any producer dividends distributed by cooperatives;
5. exercise of intellectual property rights by succession;
6. all other sources which are not expressly specified in this Act and whereon final taxes are

not levied according to the procedure established by this Act or whereon final taxes are not levied according to the procedure established by the Corporate Income Tax Act.

Annual Taxable Amount

Article 36. The annual taxable amount in respect of the income from other sources shall be determined by debiting the taxable income referred to in Article 35 herein, as acquired during the tax year, with the contributions which the person is obligated to make for the tax year for his or her own account according to the procedure established by the Health Insurance Act.

PART THREE

FINAL TAXES

Chapter Six

FINAL TAX ON INCOME FROM SOURCE INSIDE AND OUTSIDE BULGARIA

Taxation of Non-resident Persons' Income

Article 37. (1) (Supplemented, SG No. 113/2007) A final tax, notwithstanding the circumstances covered under Article 13 herein, shall be levied on the following income from a source inside Bulgaria, charged/paid in favour of any non-resident natural person, where not realized through a fixed base within the country:

1. any compensations for lost profit and damages of such nature;
2. any scholarships for study in Bulgaria and abroad;
3. any interest payments, including interest within payments under a lease contract;
4. any income from rent or from other onerous provision for use of movable or immovable property, including any payments under a lease contract which does not expressly provide for transfer of the right of ownership to the property;
5. any payments received under franchising agreements and factoring contracts;
6. any copyright and licence royalties;
7. any technical assistance fees;
8. (amended, SG No. 113/2007) any remunerations for activity performed within the territory of the country by non-resident natural persons who are public figures, or such active in science, art, culture and sports, including where the income has been paid/charged through a third party, such as a performer-management agency, a production company and other intermediaries;
9. any income from management and control, from participation in management and supervisory bodies of enterprises;
10. any income from sale, exchange or other onerous transfer of immovable property;

11. (supplemented, SG No. 113/2007) any payments under a lease contract which expressly provides for transfer of the right of ownership to immovable property;

12. any income from sale, exchange or other onerous transfer of shares, interests, compensation instruments, investment vouchers and other financial assets, with the exception of the income from exchange covered under Article 38 (5) herein.

(2) (Amended, SG No. 113/2007) The final tax on the income covered under Items 1 to 9 of Paragraph (1) shall be assessed on the gross sum total of the incomes charged/paid.

(3) (New, SG No. 113/2007) The final tax on the income covered under Items 10 and 11 of Paragraph (1) shall be assessed on the positive difference between the selling price and the documented cost of acquisition of the property debited with 10 per cent expenses.

(4) (New, SG No. 113/2007) The final tax on the income covered under Item 12 of Paragraph (1) shall be assessed on the positive difference between the selling price and the documented cost of acquisition of the property.

(5) (New, SG No. 113/2007) Where part of the selling price has been paid, the part of the selling price received and the part of the documented cost of acquisition corresponding to the said part shall be presumed as a selling price and a documented cost of acquisition of the property upon assessment of the final tax under Paragraphs (3) and (4).

(6) (New, SG No. 113/2007) Upon termination of a lease contract, which expressly provides for transfer of the right of ownership prior to the expiry of the term of validity of the contract and without transfer of the right of ownership to the movable or immovable property subject to the contract, the non-refundable lease payments shall be treated as income from use of property accruing to the non-resident person at the time of termination. The final tax under Items 3 and 11 of Paragraph (1), remitted until the time of termination of the lease contract, shall be deducted from the final tax due under Item 4 of Paragraph (1).

(7) (Renumbered from Paragraph (3), SG No. 113/2007, amended, SG No. 106/2008, effective 1.01.2009) No final tax shall be levied on any income under Paragraph 1, exempted from taxation under Article 13 herein and charged/paid in favour of non-resident natural persons established for tax purposes in a Member State of the European Union or in another Member State of the European Economic Area.

(8) (Renumbered from Paragraph (4), SG No. 113/2007, amended, SG No. 106/2008, effective 1.01.2009) The circumstances referred to in Paragraph (7) shall be certified to the payer of the income by a document issued by the tax administration of the State in which the person is established for tax purposes, and by a declaration by the person who has acquired the income, to the effect that the circumstances covered under Article 13 exist.

Recalculation of Final Tax under Article 37

Article 37a. (New, SG No. 95/2009, effective 1.01.2010) (1) Any non-resident natural person, who is a resident person for tax purposes of a Member State of the European Union or of

another State which is a Contracting Party to the Agreement on the European Economic Area, shall have the right to opt for a recalculation of the final tax on income under Article 37 herein. Where the non-resident person opts for a recalculation of the final tax, the said recalculation shall be made in respect of all incomes acquired by the person during the year which are subject to levy of a final tax under Article 37 herein.

(2) Where the non-resident person opts for a recalculation of the final tax on the incomes under Article 37 herein, the tax as recalculated shall be equal to the tax on the aggregate annual taxable amount or to the tax on the annual taxable amount under Article 28 herein which would have been due on such incomes in case the said incomes were acquired by a resident natural 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 according to the procedure established by the Corporate Income Tax Act, in case the said expenses have been effected by a resident natural person, the said tax shall be added to the sum total of the tax as recalculated.

(3) Where the amount of the final tax on income under Article 37 herein as remitted exceeds the amount of the tax as recalculated under Paragraph (2) for the same incomes, the difference shall be refundable up to the amount of the final tax under Article 37 herein which the non-resident person cannot deduct from the tax due on the said incomes in the State where the said person is resident for tax purposes.

(4) The option of recalculation of the final tax under Article 37 herein shall be exercised by means of submission of the annual tax return under Article 50 herein. All other incomes subject to declaring by the non-resident natural person shall also be included in the tax return.

(5) The refund of tax under Paragraph (3) shall follow the procedure established by the Tax and Social-Insurance Procedure Code.

(6) Paragraphs (1) to (5) shall not apply in the cases where the non-resident person is resident for tax purposes of any State which is a Contracting 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.

Income of Resident and Non-resident Natural Persons

Article 38. (1) A final tax shall be levied on the taxable income from dividends and from shares in any liquidation surplus in favour of:

1. any resident or non-resident natural person, where accruing thereto from a source inside Bulgaria;

2. any resident natural person, where accruing thereto from a source outside Bulgaria.

(2) The final tax on any income from dividends shall be assessed on the gross amount as determined by the decision on the distribution of dividend.

(3) The final tax on any income from dividends in the form of a hidden profit distribution shall be assessed on the gross amount of the expenses as charged.

(4) The final tax on share in any income from liquidation surplus shall be assessed on the positive difference between the value of the said share and the documented cost of acquisition of the participating interest in the company/cooperative.

(5) (Amended, SG No. 113/2007) A final tax shall be levied on any taxable income acquired from exchange of shares and interests in connection with transformation of corporations under Section II of Chapter Nineteen of the Corporate Income Tax Act:

1. by resident natural persons upon the exchange of shares and interests in domestic commercial corporations for shares and interests in domestic commercial corporations or in commercial corporations abroad;

2. by resident natural persons upon the exchange of shares and interests in commercial corporations abroad for shares and interests in commercial corporations abroad or in domestic commercial corporations;

3. by non-resident natural persons upon the exchange of shares and interests in domestic commercial corporations for shares and interests in domestic commercial corporations or in commercial corporations abroad.

(6) The taxable income referred to in Paragraph (5) shall be determined at the time of the exchange and shall be the positive difference between the market price of the shares/interests acquired upon the exchange and the cost of acquisition under Article 33 (6) herein of the shares or interests in the transforming corporation.

(7) The market price referred to in Paragraph (6) shall be presumed to be a cost of acquisition under Article 33 (6) upon a subsequent sale or exchange of the shares and interests in the acquiring/newly established corporation, as well as upon a subsequent application of Paragraph (6).

(8) A final tax shall be levied on the gross sum total of the taxable income from supplementary voluntary social insurance, from voluntary health insurance and life assurances, acquired at the date of:

1. recovery of the amounts remitted for life assurances;

2. recovery of the amounts remitted for voluntary health insurance, with the exception of the cases of refund of expenses on health services and provision of health services and goods to the insured person upon occurrence of the events provided for in the contracts of health insurance;

3. receipt of the amounts remitted for supplementary voluntary social insurance prior to attainment of entitlement to supplementary pension;

4. transfer of amounts from an individual account to the account of a third party;

5. modification of the contract of insurance, in respect of which a relief under Article 19 herein has been enjoyed, into a contract for which the said relief may not be enjoyed;

6. drawing on the amounts under a contract for assurance for repayment of a loan, where a life assurance is used to secure an obligation of the natural person.

(9) No final tax shall be levied on any income referred to in Paragraph (8), corresponding to the portion of the payments/premiums for which a tax relief has not been enjoyed according to the procedure established by Article 19 herein.

(10) A final tax shall be levied on the gross amount of the income acquired by the person upon the sale or exchange of movable property under Item 2 (d) of Article 13 (1) herein.

Chapter Seven

(Heading amended, SG No. 113/2007)

TRANSITION FROM LEVY OF LICENCE TAX TO TAXATION ACCORDING TO THE STANDARD PROCEDURE

Taxation of Income from Licence Activity according to Standard Procedure

Article 39. (Amended, SG No. 113/2007) (1) Where the grounds for levy of a licence tax according to the procedure established by the Local Taxes and Fees Act lapse within the current tax year, the income accruing to the natural persons, including the sole traders, for the current tax year shall be taxed according to the standard procedure established by this Act.

(2) In the cases referred to in Paragraph (1), the natural persons, including the sole traders, shall not be liable to make tax prepayments for the current year within the meaning given by this Act.

(3) Where any one person deregisters under the Value Added Tax Act within the current tax year, the said person shall be taxed according to the standard procedure established by this Act for the entire tax year.

Deduction of Licence Tax

Article 40. (Amended, SG No. 113/2007) (1) In the cases referred to in Article 39 (1) herein, the following shall be deducted from the tax on the aggregate annual taxable amount or

from the tax on the annual taxable amount in respect of income from economic activity in a sole-trader capacity:

1. the licence tax due according to the procedure established by the Local Taxes and Fees Act, or

2. the licence tax remitted, where the person has remitted a licence tax of an amount exceeding the amount due for the current tax year until the date of submission of the declaration on lapse of the grounds for levy of a licence tax according to the procedure established by the Local Taxes and Fees Act.

(2) The amount of the licence tax under Paragraph (1) shall be certified by attaching the following to the annual tax return referred to in Article 50 herein:

1. a document issued by the competent municipality: in the cases referred to in Item 1 of Paragraph (1), or

2. copies of the documents certifying the tax remitted: in the cases referred to in Item 2 of Paragraph (2).

Article 41. (Repealed, SG No. 113/2007).

PART FOUR

(Heading amended, SG No. 113/2007)

TAX RATES. TAX ASSESSMENT, WITHHOLDING AND REMITTANCE.
DECLARING

Chapter Eight

WITHHOLDING OF TAX PREPAYMENTS

Withholding of Tax Prepayments on Income from Employment Relationships

Article 42. (Amended, SG No. 113/2007) (1) The tax prepayment on income from employment relationships shall be determined by the employer monthly on the basis of a monthly taxable amount.

(2) (Supplemented, SG No. 95/2009, effective 1.01.2010) The monthly taxable amount shall be arrived at by debiting the taxable amount referred to in Article 24 herein, as charged for the relevant month, with the compulsory social insurance contributions, withheld by the employer, which are for the account of the natural person, according to the procedure established by the Social Insurance Code and the Health Insurance Act or for compulsory social insurance abroad. The monthly taxable amount of any self-insured persons in respect of any income from employment relationships referred to in Item 26 (i) of § 1 of the Supplementary Provisions herein shall be determined by debiting the taxable income under Article 24 herein, charged for the respective month, with the social insurance contributions remitted in advance which the self-insured person is obligated to make for the tax year for his or her own account according to the procedure established by the Social Insurance Code and the Health Insurance Act.

(3) The monthly taxable amount shall be debited with:

1. the tax relief for reduced working capacity referred to in Article 18 (2) herein;

2. the tax relief referred to in Article 19 (2) herein, where the amounts have been withheld by the employer upon payment of the income from an employment relationship.

(4) (Supplemented, SG No. 95/2009, effective 1.01.2010) The amount of the tax due shall be arrived at by multiplying the monthly taxable amount referred to in Paragraph (3) by a tax rate of 10 per cent and, in respect of any income acquired in a seafarer capacity, by a tax rate of 1 per cent.

(5) The tax referred to in Paragraph (4) shall be withheld by the employer upon the final payment of the taxable income charged for the relevant month.

(6) Where only part payments for the relevant month or another month have been made during the relevant month, the employer shall remit the tax referred to in Paragraph (4) determined on the gross amount of the sum total of the part payments.

(7) The tax remitted by the employer under Paragraph (6) shall not be withheld from the part payment but shall be deducted from the tax withheld under Paragraph (5).

(8) Paragraph (6) shall not apply to part payments for the relevant month, where the full amount of the income from an employment relationship as charged by the employer for the said month is paid until the end of the next succeeding month.

(9) The tax referred to in Paragraphs (1) to (8) shall be remitted within the time limits and according to the procedure established by Articles 65 and 66 herein.

Tax Prepayment on Income from Economic Activity

Article 43. (Amended, SG No. 113/2007, SG No. 106/2008, effective 1.01.2009) (1) Any person, who has acquired income from economic activity referred to in Article 29 herein, shall be liable to make a tax prepayment on the difference between the taxable income and the contributions which the self-insured person is obligated to make for the account thereof for the months of the quarter during which the taxable income was acquired, and if the person is not self-insured, on the difference between the taxable income and the compulsory social insurance contributions withheld.

(2) Any person, who has lost 50 per cent and more than 50 per cent of the working capacity thereof, shall be liable to make a tax prepayment on income from economic activity referred to in Article 29 herein after the taxable income of the person acquired from all sources of income since the beginning of the tax year and subject to levy of a tax on the aggregate annual taxable amount, debited with the compulsory social insurance contributions withheld from or paid for the account of the person, exceeds BGN 7,920.

(3) The amount of the tax due shall be calculated by multiplying the difference referred to in

Paragraph (1) by a tax rate of 10 per cent.

(4) Where the payer of the income from economic activity is an enterprise or a self-insured person, the amount of the tax shall be determined and the tax shall be withheld by the payer of the income upon the payment of the income.

(5) Paragraph (4) shall not apply where the person acquiring the income is a self-insured person within the meaning given by the Social Insurance Code and declares this circumstance by a written declaration to the payer of the income.

(6) Where the payer of the income from economic activity is not an enterprise or a self-insured person, as well as where the person acquiring the income is a self-insured person and has declared this circumstance to the payer of the income, the amount of the income shall be determined and the tax shall be remitted by the person who has acquired the income.

(7) The tax referred to in Paragraph (3) shall be remitted within the time limits and according to the procedure established by Articles 65 to 68 herein.

(8) Any persons who or which carry out economic activity in a merchant capacity within the meaning given by the Commerce Act, including any sole traders, shall remit tax prepayments at the rate of 15 per cent under the terms and according to the procedure established by the Corporate Income Tax Act.

(9) (Amended, SG No. 95/2009, effective 1.01.2010) In the cases under Paragraph (2), the person acquiring the income shall certify the extent of reduced working capacity by an expert decision of the Territorial Medical Expert Board/Paediatric Medical Expert Board/National Medical Expert Board, valid at the date/dates of payment of the income, a copy of which decision shall be presented on a single occasion to the payer of the income, where the said payer is obligated to withhold and remit the tax.

Tax Prepayment on Income from Rent or from Other Onerous Provision for Use of Rights or Property

Article 44. (1) (Amended, SG No. 113/2007) Any person, who has acquired income from rent or from other onerous provision for use of rights or property, shall be liable to make a tax prepayment on the difference between the taxable income under Article 31 herein and the social insurance contributions which the person is obligated to make for the own account thereof.

(2) (New, SG No. 106/2008, effective 1.01.2009) Any person who has lost 50 per cent and more than 50 per cent of the working capacity thereof, shall be liable to make a tax prepayment on income from rent or from other onerous provision for use of rights or property after the taxable income of the person acquired from all sources of income since the beginning of the tax year and subject to levy of a tax on the aggregate annual taxable amount, debited with the compulsory social insurance contributions withheld from or paid for the account of the person, exceeds BGN 7,920.

(3) (Amended, SG No. 113/2007, renumbered from Paragraph (2), SG No. 106/2008, effective 1.01.2009) The amount of the tax due shall be arrived at by multiplying the difference

referred to in Paragraph (1) by a tax rate of 10 per cent

(4) (Renumbered from Paragraph (3) and amended, SG No. 106/2008, effective 1.01.2009) The tax referred to in Paragraph (3) shall be remitted within the time limits and according to the procedure established by Articles 67 and 68 herein.

Certification of Tax Withheld

Article 45. (1) Upon request by the person, the employer shall issue, not later than the 31st day of January of the next succeeding year, a certificate in a standard form showing the taxable income acquired during the year and the tax withheld during the year.

(2) The certificate referred to in Paragraph (1) shall furthermore include the tax withheld or refunded to the factory or office worker upon determination of the annual amount of the tax by an employer under Article 49 herein, where the withholding/refund was effected until the 31st day of January of the next succeeding year.

(3) If the circumstances referred to in Article 5 (10) of the Social Insurance Code apply, the certificate referred to in Paragraph (1) shall be issued by the competent local division of the National Social Security Institute whereto the payrolls and the attachments thereto have been delivered.

(4) The enterprise or the self-insured person, which or who is a payer of income from economic activity, shall furthermore issue a certificate in standard forms, showing the income paid and the tax withheld according to the procedure established by Article 43 herein, and shall provide the said certificate to the person who has acquired the income.

(5) (New, SG No. 113/2007) If the certificate referred to in Paragraph (1) has not been requested by the factory or office worker until the 31st day of January of the next succeeding year, such certificate shall be issued upon request even after the time limit specified in Paragraph (1).

(6) (New, SG No. 113/2007) The employer shall mandatorily issue and provide the factory or office worker with the certificate referred to in Paragraph (1) until the 5th day of February of the next succeeding year where the withholding or refunding referred to in Article 49 (5) and (6) herein has not been performed until the 31st day of January.

Chapter Nine

(Heading amended, SG No. 113/2007)

TAX RATES OF FINAL TAX UNDER CHAPTER SIX

Rates of Final Tax under Chapter Six

Article 46. (Amended, SG No. 113/2007) (1) The tax rate shall be 10 per cent for any income referred to in Article 37 and Article 38 (5), (8) and (10) herein.

(2) The tax rate shall be 7 per cent for any income referred to in Article 38 (8) herein in the

cases of receipt of amounts after the expiry of the term of validity of a contract of life assurance, which term is fifteen years or more.

(3) The tax rate shall be 5 per cent for any income referred to in Article 38 (1) herein.

(4) The final tax under Chapter Six herein shall be withheld and remitted within the time limits and according to the procedure established by Article 65 to 68 herein.

Final Taxes Applicable to Sole Traders

Article 47. Any persons who carry out economic activity in a merchant capacity within the meaning given by the Commerce Act, including any sole traders, shall apply the provisions of the Corporate Income Tax Act on taxation of expenses and on withholding taxes.

Chapter Ten

ANNUAL TAXATION

Arrival at Amount of Tax

Article 48. (Amended, SG No. 113/2007) (1) The amount of tax on the aggregate annual taxable amount shall be arrived at by multiplying the aggregate annual taxable amount under Article 17 herein by a tax rate of 10 per cent.

(2) The amount of tax on the aggregate taxable amount in respect of income from economic activity in a sole-trader capacity shall be arrived at by multiplying the annual taxable amount under Article 28 (2) herein by a tax rate of 15 per cent.

(3) The tax prepayments withheld and/or remitted during the tax year shall be deducted from the taxes arrived at under Paragraphs (1) and (2).

(4) The final tax on income under Article 37 herein, withheld from and/or respectively remitted by a natural person who is treated as a resident natural person for the tax year, shall likewise be deducted from the tax arrived at under Paragraph (1).

(5) Any tax on the annual taxable amount in respect of income from economic activity in a sole-trader capacity, which is overremitted for the tax year, shall be deductible from succeeding prepayments and annual payments for the same tax payable by the sole trader. Should it be ascertained that any sole trader deducts tax without reason, interest on any unremitted tax prepayments and annual tax payments shall be due under the Interest on Taxes, Fees and Other State Receivables Act.

(6) (New, SG No. 95/2009, effective 1.01.2010) Any persons registered as agricultural producers shall be allowed to retain up to 60 per cent of the tax on the annual taxable amount in respect of any income from economic activity in a sole-trader capacity, applicable to the annual taxable amount in respect of the business of production of unprocessed plant and animal produce under the terms for corporation tax retention established by Article 189b of the Corporate Income Tax Act.

(7) (New, SG No. 95/2009, effective 1.01.2010) Tax retention under Article 6 herein constituting State aid for agricultural producers may not be enjoyed by any person who is an enterprise in difficulty.

Annual Tax on Income from Employment Relationships

Article 49. (1) (Supplemented, SG No. 95/2009, effective 1.01.2010) Not later than the 31st day of January of the next succeeding tax year, the employer shall calculate the annual taxable amount referred to in Article 25 (1) and (3) herein, debited according to the procedure established by Paragraph (3), and shall determine the annual amount of the tax where the said employer is an employer under the principal employment relationship of the factory or office worker.

(2) Where the factory or office worker has or has had an employment contract for additional work with another employer or has had a principal employment relationship with another employer during the tax year, the employer referred to in Paragraph (1) shall include the income acquired at the other employer upon calculation of the annual taxable amount and shall determine the annual amount of the tax if the factory or office worker submits thereto a certificate referred to in Article 45 herein from the other employer.

(3) (Supplemented, SG No. 95/2009, effective 1.01.2010) The annual taxable amount referred to in Article 25 (1) and (3) herein shall be debited with the annual amount of:

1. the tax reliefs referred to in Articles 19 and 22 herein, where the amounts have been withheld by the employer upon payment of the income from an employment relationship;

2. (amended, SG No. 113/2007) the tax reliefs referred to in Articles 18 and 20 herein.

(4) Paragraph (3) shall apply where the factory or office worker provides to the employer, within a period commencing on the 30th day of November and ending on the 31st day of December of the tax year, the following documents:

1. a copy of a valid decision of the Territorial Medical Expert Board/National Medical Expert Board: in respect of the tax relief referred to in Article 18 herein;

2. copies of the contracts with the commercial insurance/social insurance company: in respect of the tax relief referred to in Article 19 herein;

3. copies of the documents certifying the contributions made: in respect of the tax relief referred to in Article 20 herein;

4. (repealed, SG No. 113/2007);

5. copies of documents certifying that the donee is among the persons listed in Article 22 herein and that the gift has been received: in respect of the tax relief covered under Article 22 herein.

(5) Where the annual amount of the tax as determined is above the amount of the tax withheld from the factory or office worker during the year, the balance shall be withheld from the

person not later than the 31st day of January of the next succeeding year.

(6) Where the annual amount of the tax as determined is below the amount of the tax prepayments withheld, the employer shall refund the balance to the person not later than the 31st day of January of the next succeeding year.

(7) The amount refunded under Paragraph (6) shall be set off from the employer successively against the succeeding payments to the executive budget in respect of taxes on income from employment relationships of the person or of other persons.

(8) (New, SG No. 95/2009, effective 1.01.2010) Any income from employment relationships referred to in Item 26 (i) of § 1 of the Supplementary Provisions herein shall be excluded upon determination of the annual taxable amount and of the annual tax according to the procedure established by the foregoing paragraphs.

Chapter Eleven

DECLARING

Section I

Annual Tax Return

Obligation to Submit Annual Tax Return

Article 50. (1) (Amended, SG No. 113/2007) The resident natural persons shall submit an annual tax return, completed in a standard form, in respect of:

1. the income acquired during the year and subject to levy of a tax on the aggregate annual taxable amount and of a tax on the annual taxable income under Article 28 herein;

2. (amended, SG No. 99/2009, effective 1.01.2010) the income subject to levy of a licence tax according to the procedure established by the Local Taxes and Fees Act;

3. (amended, SG No. 106/2008, effective 1.01.2009) the income acquired during the year from dividends, shares in liquidation surpluses and income referred to in Article 38 (8) herein from a source outside Bulgaria;

4. the shares and participating interests held in companies, a permanent establishment, a fixed base and immovable property abroad.

5. (new, SG No. 99/2009, effective 1.01.2010) the monetary loans extended/received, as follows:

a) the outstanding portion of the monetary loans extended during the tax year, if their total amount exceeds BGN 10,000;

b) the remaining portions of monetary loans extended during the current and the previous five tax years and which are outstanding at the end of the relevant tax year if the total amount of

these remaining portions exceeds BGN 40,000;

c) the outstanding portion of the monetary loans received during the tax year, if their total amount exceeds BGN 10,000, with the exception of the received credits, as extended by credit institutions within the meaning of the Credit Institutions Act;

d) the outstanding as at the end of the tax year remaining portions of monetary loans, received during the current and the previous five tax years, with the exception of the credits received, extended by credit institutions in the meaning of the Credit Institutions Act, if the total amount of these remaining portions exceeds BGN 40,000.

(2) (Amended, SG No. 113/2007, supplemented, SG No. 99/2009, effective 1.01.2010) The non-resident natural persons shall submit an annual tax return referred to in Paragraph (1) in respect of the income referred to in Items 1 and 2 of Paragraph (1) and in the cases referred to in Article 37a.

(3) (Amended, SG No. 99/2009, effective 1.01.2010) Any resident and non-resident natural persons, who have acquired income from employment relationships referred to in Item 26 (f) and (i) of § 1 of the Supplementary Provision herein, shall submit an annual tax return referred to in Paragraph (1) in respect of the said income.

(4) (Amended, SG No. 113/2007) The certificates referred to in Article 45 herein shall be attached to the annual tax return referred to in Paragraph (1).

(5) (Amended, SG No. 113/2007) Resident natural persons shall attach to the annual tax return referred to in Paragraph (1) certificates specifying the amount of the tax and compulsory social insurance contributions remitted abroad, issued by the competent authorities of that other State.

(6) (New, SG No. 113/2007) In respect of any income from a source outside Bulgaria, upon the taxation whereof a method of exemption with progression applies according to an effective tax convention, resident natural persons may present a certificate specifying the amount of the tax remitted under Paragraph (5).

(7) (New, SG No. 113/2007) Any persons carrying out economic activity in a merchant capacity within the meaning given by the Commerce Act, including any sole traders, shall declare, by the annual tax return referred to in Paragraph (1), the taxes on expenses due and remitted according to the procedure established by the Corporate Income Tax Act.

(8) (New, SG No. 113/2007) The annual tax return referred to in Paragraph (1) in respect of income accruing to any natural persons who have not attained the age of 14 years, who have attained the age of 14 years but have not attained the age of 18 years, and who are interdicted shall be submitted by the parents or by the tutors or curators, as the case may be.

Submission of Annual Activity Report

Article 51. (Amended, SG No. 95/2009, effective 1.01.2010) (1) Any persons, who carry out economic activity in a merchant capacity within the meaning given by the Commerce Act,

including any sole traders, shall present an annual activity report together with the annual tax return.

(2) The persons referred to in Paragraph (1) shall not submit an annual activity report where the following conditions are simultaneously fulfilled:

1. the said persons did not carry out activity during the tax year;
2. the said persons did not account for income or expenses for the tax year according to accounting legislation.

Excuse from Obligation to Submit Annual Tax Return

Article 52. (1) (Redesignated from Article 52, SG No. 95/2009, effective 1.01.2010) The obligation to submit an annual tax return shall not apply to any persons who have received solely:

1. (amended, SG No. 95/2009, effective 1.01.2010) income from employment relationships, where the person has a single employer at the 31st day of December of the tax year and the said employer has determined the annual amount of the tax for all incomes from employment relationships acquired during the tax year and the full amount of the tax for the tax year has been withheld until the 31st day of January of the next succeeding year, and/or

2. (amended, SG No. 113/2007, SG No. 95/2009, effective 1.01.2010) non-taxable income, and/or

3. (supplemented, SG No. 113/2007) income on which a final tax is leviable under Article 38 herein, with the exception of the income referred to in Item 3 of Article 50 (1) herein, and/or

4. (supplemented, SG No. 95/2009, effective 1.01.2010) income accruing to non-resident persons, on which a final tax has been levied, with the exception of the cases referred to in Article 37a herein.

(2) (New, SG No. 95/2009, effective 1.01.2010) Notwithstanding the circumstances referred to in Paragraph (1), resident natural persons shall be obligated to submit an annual tax return in the cases referred to in Item 5 of Article 50 (1) and Article 50 (3) herein.

Time Limit for Submission of Annual Tax Return

Article 53. (1) The annual tax return shall be submitted on or before the 30th day of April of the year next succeeding the year of acquisition of the income.

(2) Any person, who submits an annual tax return on or before the 10th day of February of the next succeeding year, shall enjoy a rate rebate of 5 per cent of the balance of tax due under the annual tax return where remitted on or before the same date.

(3) Any person, who submits an annual tax return on or before the date referred to in Paragraph (1) by electronic means, shall enjoy a rate rebate of 5 per cent of the balance of tax due under the annual tax return where remitted on or before the same date, provided that the said person has not applied Paragraph (2).

Place of Submission of Annual Tax Return

Article 54. (1) (Amended, SG No. 95/2009, effective 1.01.2010) The annual tax return shall be submitted to the National Revenue Agency territorial directorate exercising competence over the permanent address of the natural person, including the sole trader, who is liable for the tax.

(2) (New, SG No. 113/2007) In the cases referred to in Article 50 (8) herein, the annual tax return shall be submitted to the National Revenue Agency territorial directorate exercising competence over the permanent address of the person who has not attained the age of 14 years, who has attained the age of 14 years but has not attained the age of 18 years, and who is interdicted.

(3) (Renumbered from Paragraph (2), SG No. 113/2007) Where the annual tax return of a non-resident natural person is submitted through an attorney-in-fact who has a permanent address in the country, the said submission shall be effected at the National Revenue Agency territorial directorate exercising competence over the permanent address of the said attorney-in-fact.

(4) (Renumbered from Paragraph (3) and amended, SG No. 113/2007) Outside the cases referred to in Paragraphs (1) to (3), the annual tax return shall be submitted to the Sofia Territorial Directorate of the National Revenue Agency.

Section II

Tax Return in Respect of Income whereon Final Tax Is Leviable

Obligation to Submit Tax Return in Respect of Income under Chapter Six

Article 55. (1) (Amended, SG No. 113/2007) The enterprises and the self-insured persons, which or who are payers of income and which or who have withheld the final tax on income charged/paid to non-resident persons under Chapter Six, shall declare the said circumstances by a tax return completed in a standard form.

(2) The tax return referred to in Paragraph (1) shall be submitted by the person who has acquired the income where the payer of the income is not obligated to withhold and remit the tax.

(3) The tax return shall state particulars of the payer of the income, irrespective of who has submitted the return.

Time Limit for Submission of Tax Return in Respect of Income under Chapter Six

Article 56. (1) (Amended, SG No. 113/2007) The tax return referred to in Article 55 (1) herein shall be submitted not later than the end of the month next succeeding the quarter for remittance of the tax.

(2) (New, SG No. 113/2007) The tax return referred to in Article 55 (1) herein shall be submitted by the person who has acquired the income within the time limit for remittance of the tax under Article 67 (1) herein.

(3) (Renumbered from Paragraph (2), SG No. 113/2007) The tax return referred to in Article

55 (1) herein in respect of any income covered under Article 38 (5) herein shall be submitted by the person who has acquired the income not later than at the end of the month next succeeding the month of acquisition of the shares and interests in the acquiring/newly established company.

Place of Submission of Tax Return in Respect of Income under Chapter Six

Article 57. (1) The tax return referred to in Article 55 (1) herein shall be submitted to the National Revenue Agency territorial directorate exercising competence over the place of registration of the payer of the income or over the place where the payer of the income is subject to registration.

(2) Where the tax return referred to in Article 55 (2) herein of a non-resident natural person is submitted through an attorney-in-fact who has a permanent address in the country, the said submission shall be effected at the National Revenue Agency territorial directorate exercising competence over the permanent address of the said attorney-in-fact.

(3) Outside the cases referred to in Paragraphs (1) and (2), the tax return shall be submitted to the Sofia Territorial Directorate of the National Revenue Agency.

Certificate on Tax Paid by Non-resident Natural Person

Article 58. (Supplemented, SG No. 106/2008, effective 1.01.2009) (1) (Redesignated from Article 58, amended and supplemented, SG No. 95/2009, effective 1.01.2010) A certificate on tax remitted according to the procedure established by this Act by a non-resident natural person shall be issued in a standard form at the request of any such person. Any such request shall be submitted to the National Revenue Agency territorial directorate whereto the tax return referred to in Article 50 or in Article 55 herein has been submitted or is subject to submission.

(2) (New, SG No. 95/2009, effective 1.01.2010) At the request of the non-resident person, the certificate on tax remitted on the aggregate annual taxable amount and/or on tax remitted on the annual taxable amount under Article 28 herein shall be issued separately for the separate types of income under Article 8 herein except in the cases where the income was realized through a fixed base.

Section III

(Repealed, SG No. 113/2007).

Tax Return on Levy of Final Annual (Licence) Tax

Article 59. (Repealed, SG No. 113/2007).

Article 60. (Repealed, SG No. 113/2007).

Article 61. (Repealed, SG No. 113/2007).

Section IV

Time Limits and Place of Submission of Tax Returns on Alternative Taxes

Payable by Sole Trader

Obligation and Time Limits for Submission of Tax Returns on Alternative Taxes Payable by

Sole Traders

Article 62. In respect of the activities taxed under Article 26 (5) herein, the sole traders shall apply the provisions of the Corporate Income Tax Act on declaring of the tax.

Place of Submission of Tax Returns on Alternative Taxes Payable by Sole Traders

Article 63. The tax returns referred to in Article 62 herein shall be submitted to the National Revenue Agency territorial directorate exercising competence over the permanent address of the natural person.

Section V

Endorsement of Standard Forms

Endorsement of Standard Forms

Article 64. (1) The standard forms of the tax returns under this Act shall be endorsed by an order of the Minister of Finance.

(2) (Repealed, SG No. 106/2008, effective 1.01.2009).

(3) The standard forms of a Statement of Amounts Paid and of a certificate under this Act, as well as of the certificate referred to in Article 58 herein and of the statement referred to in Article 73 (1) herein, shall be endorsed by an order of the Minister of Finance.

(4) (Amended, SG No. 106/2008, effective 1.01.2009) The orders and the standard forms referred to in Paragraphs (1) and (3) shall be promulgated in the State Gazette.

Chapter Twelve

TAX REMITTANCE

Section I

Time Limits and Place of Remittance of Taxes Withheld by Payer of Income

Time Limits for Remittance of Taxes Withheld by Payer of Income

Article 65. (1) (Amended and supplemented, SG No. 113/2007) The tax referred to in Article 46 herein on the income referred to in Items 1 to 9 of Article 37 (1) and Article 38 (10) herein shall be withheld and remitted by the enterprise or the self-insured person which or who is a payer of the income not later than at the end of the month next succeeding the month in which the income was charged by the enterprise or in which the income was paid by the self-insured person.

(2) The tax referred to in Article 46 herein on the income referred to in Article 38 (2) herein shall be withheld and remitted by the enterprise which is a payer of the income not later than at the end of the month next succeeding the month during which the decision on the distribution of dividend was made.

(3) The tax referred to in Article 46 herein on the income referred to in Article 38 (3) herein

shall be withheld and remitted by the enterprise which is a payer of the income not later than at the end of the month during which the expenses were charged.

(4) The tax referred to in Article 46 herein on the income referred to in Article 38 (4) herein shall be withheld and remitted by the enterprise which is a payer of the income not later than at the end of the month during which the share in any liquidation surplus was charged.

(5) Paragraph (4) shall not apply to any income from shares in any liquidation surpluses in the cases of transfer of property upon transformation according to the procedure established by Article 265 of the Commerce Act, in which cases the tax shall be remitted according to the procedure established by Article 67 herein by the sole trader who has acquired the income.

(6) The tax referred to in Article 46 herein on the income referred to in Items 10 to 12 of Article 37 (1) and Article 38 (5) herein shall be remitted according to the procedure established by Article 67 herein by the person who has acquired the income.

(7) (Supplemented, SG No. 106/2008, effective 1.01.2009) The tax referred to in Article 46 herein on the income referred to in Article 38 (8) herein shall be withheld and remitted by the commercial insurance/social insurance company, where the said company is a resident person, not later than at the end of the month next succeeding the month during which the income was acquired by the natural person.

(8) The commercial insurance/social insurance company referred to in Paragraph (7) shall ascertain the portion of the non-taxable income referred to in Article 38 (9) herein on the basis of a written declaration provided by the natural person who is liable for the tax.

(9) (Amended, SG No. 113/2007) Where the income referred to in Article 37 and Article 38 (1) herein are in favour of any person who is resident in a State wherewith the Republic of Bulgaria has concluded a convention for the avoidance of double taxation, the tax referred to in Article 46 herein shall be withheld and remitted by the enterprise or by the self-insured person which or who is a payer of the income within three months after the commencement of the month next succeeding the month during which the income referred to in Paragraph (1) was charged/paid, after the decision referred to in Paragraph (2) was made, after the expenses referred to in Paragraph (3) were charged, or after the share in any liquidation surplus was charged, as the case may be.

(10) The tax which the payer of the income is obligated to withhold under Articles 42, 43 and Article 49 (2) and (5) herein shall be remitted on or before the 10th day of the month next succeeding the month during which the tax was withheld.

(11) The tax referred to in Article 42 (5) herein shall be remitted not later than at the end of the month next succeeding the month during which the part payments were made.

Place of Remittance of Taxes Withheld by Payer of Income

Article 66. (1) (Redesignated from Article 66, SG No. 95/2009, effective 1.01.2010) The tax referred to in Article 65 herein shall be remitted to the executive budget by crediting an account of the National Revenue Agency territorial agency exercising competence over the place of

registration of the payer of the income.

(2) (New, SG No. 95/2009, effective 1.01.2010) Any tax which is overremitted or any amounts for taxes on income referred to in Items 1 to 9 of Article 37 (1) and Article 38 herein, acquired by non-resident natural persons, which are unduly paid, shall be refunded by the National Revenue Agency territorial directorate whereto the income tax on the person is subject to remittance.

Section II

Time Limits and Place of Remittance of Taxes by Person Who Has Acquired

Income

Time Limits for Remittance of Taxes by Person Who Has Acquired Income

Article 67. (1) Where the payer of the income is not obligated to withhold and remit the tax, the tax referred to in Articles 43, 44 and 46 herein shall be remitted by the person who has acquired the income, on or before the 15th day of the month next succeeding the quarter of acquisition of the income.

(2) (Amended, SG No. 106/2008, effective 1.01.2009) Tax prepayment under Article 43 (6) and Article 44 herein shall not be remitted in respect of any income acquired during the fourth quarter of the tax year.

(3) The tax referred to in Article 46 herein, as determined at the time of the exchange referred to in Article 38 (5) herein, shall be remitted by the person who has acquired the income on or before the 15th day of the month next succeeding the quarter during which a subsequent sale or exchange was effected of the shares and interests in the acquiring/newly established corporation, including upon a subsequent exchange of the shares or interests in connection with transformation of commercial corporations.

(4) The tax due under Article 48 herein shall be remitted on or before the 30th day of April of the year next succeeding the year of acquisition of the income.

Place of Remittance of Taxes by Person Who Has Acquired Income

Article 68. (1) The tax referred to in Articles 43, 44, 46 and 48 herein shall be remitted to the executive budget by crediting an account of the National Revenue Agency territorial agency exercising competence over the permanent address of the resident natural person, including the sole trader.

(2) The tax referred to in Paragraph (1) of any non-resident person who has received income through an attorney-in-fact who has a permanent address in the country shall be remitted to the executive budget by crediting an account of the National Revenue Agency territorial agency exercising competence over the permanent address of the said attorney-in-fact.

(3) Where the place of submission of the tax cannot be ascertained according to the procedure established by Paragraphs (1) and (2), the tax shall be remitted to the executive budget

by crediting an account of the Sofia City Territorial Directorate of the National Revenue Agency.

(4) (New, SG No. 95/2009, effective 1.01.2010) Any tax which is overremitted or any amounts for taxes on income referred to in Items 10 to 12 of Article 37 and Article 38 herein, acquired by non-resident natural persons, which are unduly paid, shall be refunded by the National Revenue Agency territorial directorate whereto the income tax on the person is subject to remittance.

Section III

(Repealed, SG No. 113/2007).

Time Limits and Place of Remittance of Final Annual (Licence) Tax

Article 69. (Repealed, SG No. 113/2007).

Article 70. (Repealed, SG No. 113/2007).

Section IV

Time Limits and Place of Submission of Alternative Taxes by Sole Traders

Time Limits for Submission of Alternative Taxes by Sole Traders

Article 71. In respect of the activities taxed under Article 26 (5) herein, the sole traders shall apply the provisions of the Corporate Income Tax Act regarding the time limits for remittance of the tax.

Place of Submission of Alternative Taxes by Sole Traders

Article 72. The taxes referred to in Article 71 herein shall be remitted to the executive budget by crediting an account of the National Revenue Agency territorial agency exercising competence over the permanent address of the natural person.

PART FIVE

DISCLOSURE OF INFORMATION, APPLICABLE PROVISIONS OF OTHER ACTS AND

REFUND OF TAX WITHHELD IN ANOTHER MEMBER STATE OF EUROPEAN UNION

(Heading amended, SG No. 106/2008, effective 1.01.2009)

Chapter Thirteen

DISCLOSURE OF INFORMATION

Income Payers' Obligations to Disclose Information

Article 73. (1) (Amended, SG No. 113/2007) The enterprises and the self-insured persons within the meaning given by the Social Insurance Code, which or who are payers of income, shall prepare a statement in a standard form on the income paid to natural persons during the tax year.

(2) (New, SG No. 113/2007) The statement referred to in Paragraph (1) shall not include the income paid from employment relationships and from compulsory social insurance, as well as the income subject to declaring according to the procedure established by Article 55 (1) herein.

(3) (New, SG No. 106/2008, effective 1.01.2009) The income referred to in Article 38 (1) herein shall be included in the statement referred to in Paragraph (1) for the tax year during which the decision on the distribution of dividend was made, for the tax year in which the expenditure was charged - in the cases of hidden profit distribution, or for the tax year in which the share in the liquidation surplus was charged.

(4) (Renumbered from Paragraph (2), SG No. 113/2007, renumbered from Paragraph (3), SG No. 106/2008, effective 1.01.2009, supplemented, SG No. 95/2009, effective 1.01.2010) The statement referred to in Paragraph (1) shall be presented on or before the 30th day of April of the next succeeding year to the National Revenue Agency territorial directorate exercising competence over the place of registration of the payer of the income. Upon dissolution through liquidation or through adjudication in bankruptcy of an enterprise, the statement referred to in Paragraph (1) shall be presented within the time limits and according to the procedure for submission of the tax return under Article 162 of the Corporate Income Tax Act.

(5) (Renumbered from Paragraph (3), SG No. 113/2007, renumbered from Paragraph (4), SG No. 106/2008, effective 1.01.2009) Where the persons referred to in Paragraph (1) have paid income to more than ten natural persons during the tax year, the statement referred to in Paragraph (1) shall be presented solely on an electronic data medium in a format and according to a procedure approved by an order of the Executive Director of the National Revenue Agency.

(6) (Renumbered from Paragraph (4), SG No. 113/2007, renumbered from Paragraph (5), SG No. 106/2008, effective 1.01.2009) Employers shall periodically disclose information on the income paid under employment relationships and on the tax withheld on the said income. The Ministry of Finance shall issue an ordinance on the content, manner and procedure for presentation and storage of the data.

State Bodies' Obligation to Disclose Information

Article 74. (1) When so requested by the revenue authorities, the Ministry of the Interior shall provide the information necessary to ascertain whether a person is resident or non-resident according to Chapter One herein.

(2) Annually, on or before the 15th day of December, the Ministry of Regional Development and Public Works shall provide the National Revenue Agency with up-to-date information on the population by current address, consolidated by nucleated settlement.

Chapter Fourteen

APPLICABLE PROVISIONS OF OTHER LAWS

Priority Application of Tax Convention or Another International Treaty

Article 75. (1) In the event of a conflict between the provisions of any tax convention or

another international treaty, which has been ratified by the Republic of Bulgaria, has been promulgated and has entered into force, and any provisions of this Act, the provisions of the relevant tax convention or treaty shall prevail.

Foreign Tax Credit

Article 76. (1) Outside the cases referred to in Article 75 herein, upon assessment of the income tax any resident natural person shall be allowed foreign tax credit in respect of identical or similar foreign taxes levied abroad by the respective competent authorities.

(2) Any person referred to in Paragraph (1) shall be allowed foreign tax credit in respect of all taxes on dividends, interest, copyright and licence royalties, technical assistance fees and rents as paid from sources abroad.

(3) The foreign tax credit referred to in Paragraph (2) shall be determined for each State and for each type of income separately and shall be limited to the amount of the Bulgarian income tax which would have been due on such foreign-source income if applied to a domestic-source income.

(4) Where necessary, the Minister of Finance may:

1. determine which taxes are identical or similar to the income tax on natural persons;
2. specify the origin and the particular amount of the domestic-source or foreign-source income accruing from the respective source;
3. disallow foreign tax credit in respect of such foreign taxes whereby the credit has been wrongfully increased.

Prevention of Tax Evasion

Article 77. Upon determination of the liabilities of persons under this Act in the cases of transactions between related parties, of transactions concluded under terms and conditions whereof the fulfilment leads to an evasion of taxation and application of market prices, transfers related to a fixed base, as well as interest arising from a financial lease, the provisions of the Corporate Income Tax Act on prevention of fiscal evasion with respect to tax shall apply, mutatis mutandis.

Chapter Fifteen

DEDUCTION AND REFUND OF TAX PAID IN ANOTHER MEMBER STATE OF EUROPEAN UNION

(Heading amended, SG No. 106/2008, effective 1.01.2009)

Deduction of Tax Withheld in Another Member State of European Union

Article 78. (1) The tax withheld in the Kingdom of Belgium, the Republic of Austria or in the Grand Duchy of Luxembourg on any savings income, paid by a paying agent to resident natural persons, with the exception of sole traders, shall be deducted from the tax due on the

aggregate annual taxable amount of the person as determined in the annual tax return referred to in Article 50 herein as submitted.

(2) Should there be any balance after the deduction referred to in Paragraph (1), the said balance shall be refunded on the basis of a request within the time limits and according to the procedure established by Chapter Sixteen of the Tax and Social-Insurance Procedure Code.

(3) A document certifying the amount of the income and the tax withheld in the State under Paragraph (1), issued by the competent tax authorities of the said State, shall be attached to the annual tax return referred to in Paragraph (1) or to the request referred to in Paragraph (2), as the case may be.

Refund of Tax Withheld in Another Member State of the European Union

(Heading amended, SG No. 106/2008, effective 1.01.2009)

Article 79. (1) Any natural person, with the exception of sole traders, who was not obligated to submit a return under Article 50 herein, shall have the right to a refund of the tax withheld in the Kingdom of Belgium, the Republic of Austria or in the Grand Duchy of Luxembourg on any savings income, paid by a paying agent.

(2) The refund referred to in Paragraph (1) shall be effected on the basis of a request within the time limits and according to the procedure established by Chapter Sixteen of the Tax and Social-Insurance Procedure Code.

(3) A document certifying the amount of the income and the tax withheld in the State under Paragraph (1), issued by the competent tax authorities of the said State, shall be attached to the request referred to in Paragraph (2).

PART SIX

ADMINISTRATIVE PENALTY PROVISIONS

Article 80. (1) Any person, who submits any tax return under this Act past the due date, shall be liable to a fine or a pecuniary penalty not exceeding BGN 500, unless subject to a severer sanction.

(2) Any person, who fails to state or who misstates any particulars or circumstances in a tax return leading to underassessment of the tax or to exemption from tax, shall be liable to a fine or a pecuniary penalty not exceeding BGN 1,000, unless subject to a severer sanction.

(3) Upon a repeated violation, the fine or pecuniary penalty referred to in Paragraph (1) shall be to an amount not exceeding BGN 1,000, and the fine or pecuniary penalty referred to in Paragraph (2) shall be to an amount not exceeding BGN 2,000, unless the person is subject to a severer sanction.

Article 80a. (New, SG No. 99/2009, effective 1.01.2010) (1) Any natural person who, having been obliged to, has failed to declare or has wrongly declared the information referred to in Article 50, paragraph 1, item 5, shall be penalised by a fine amounting to 10 percent of the non-declared amounts.

(2) In the event of a repeated violation, the fine referred to in paragraph 1 shall amount to 15 percent of the non-declared amounts, if the person is not subject to a more severe sanction.

Article 81. Any person, who or which is payer of income and, despite being under an obligation to do so, fails to withhold a tax or to remit a tax when due, shall be liable to a fine or a pecuniary penalty not exceeding BGN 1,000, unless subject to a severer sanction.

Article 82. (1) Any person blameworthy for a failure to submit or for late submission of the information referred to in Article 73 herein, as well as for stating untrue or incomplete data, shall be liable to a fine or a pecuniary penalty not exceeding BGN 250, unless the person is subject to a severer sanction.

(2) For any violations referred to in Paragraph (1), committed in respect of more than one natural person, the fine or pecuniary penalty shall be imposed separately in respect of each natural person.

(3) Upon a repeated violation under Paragraph (1), the fine or pecuniary penalty referred to in Paragraph (1) shall be to an amount not exceeding BGN 500.

Article 83. (Amended, SG No. 95/2009, effective 1.01.2010) (1) Any person, who or which fails to fulfil the obligation thereof under Article 51 (1) herein to present an annual activity report or who or which presents the said report past the due date, shall be liable to a fine or to a pecuniary penalty not exceeding BGN 500, unless subject to a severer sanction.

(2) Upon a repeated violation under Paragraph (1), the fine or the pecuniary penalty shall be to an amount not exceeding BGN 1,000.

Article 84. (1) Any employer under a principal employment relationship, who fails to fulfil the obligation thereof to determine the annual amount of the tax on income from employment relationships, shall be liable to a fine or a pecuniary penalty not exceeding BGN 500.

(2) Upon a repeated violation under Paragraph (1), the fine or pecuniary penalty shall be to an amount not exceeding BGN 1,000.

Article 85. (1) The violations under this Act shall be ascertained by a written statement drawn up by a revenue authority.

(2) The penalty decrees shall be issued by the Executive Director of the National Revenue Agency or by an official thereby authorized.

(3) The written statements ascertaining violations and the penalty decrees shall be drawn up, issued and appealed against according to the procedure established by the Administrative Violations and Sanctions Act.

Article 86. The provisions of the Administrative Violations and Sanctions Act shall apply to the imposition of administrative sanctions.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning given by this Act:

1. "Bulgaria" or "the country" shall be the Republic of Bulgaria and, when used in a geographical sense, shall include the territory over which the Republic of Bulgaria exercises the State sovereignty thereof, as well as the continental shelf and the exclusive economic zone wherewithin the Republic of Bulgaria exercises sovereign rights in conformity with international

law.

2. (Amended, SG No. 82/2009) "Permanent address" shall be the address within the meaning given by Item 3 of § 1 of the Supplementary Provision of the Bulgarian Personal Documents Act.

3. "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.

4. "Fixed base" shall be a fixed base within the meaning given by Item 7 of § 1 of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

5. "Dividend" shall be:

(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.

6. "Share in any liquidation surplus" shall be:

(a) a share in any liquidation surplus within the meaning given by the Commerce Act, including the share in the property charged to a partner upon dissolution of a general or limited partnership;

(b) the cash equivalent of the share in the property charged to a partner upon cessation of membership in a corporation;

(c) the equity stake contribution appertaining upon termination of membership in a cooperative or upon termination of a cooperative;

(d) the property transferred upon transformation through transfer of property to the sole owner according to procedure established by Article 265 of the Commerce Act;

(e) any income of the nature of a share referred to in Litterae (a) to (d) upon dissolution of a commercial corporation/cooperative or upon cessation of membership in a commercial corporation/cooperative abroad.

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.

8. (Supplemented, SG No. 113/2007) "Franchising agreement", "factoring contract", "hidden

profit distribution", "copyright and licence royalties" and "technical assistance fees" shall be the respective notions within the meaning given by the Corporate Income Tax Act.

9. "Market price" shall be the market price within the meaning given by Item 8 of § 1 of the Supplementary Provisions of the Tax and Social-Insurance Procedure Code.

10. "Works of art, collectors' items and antiques" shall be the respective notions within the meaning given by the Value Added Tax Act.

11. (Amended, SG No. 52/2007, SG No. 106/2008, effective 1.01.2009) "Disposition of financial instruments" for the purposes of Item 3 of Article 13 (1) herein shall be any transactions:

(a) in shares in collective investment schemes, shares and rights, effected on a regulated market within the meaning given by Article 73 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 which is a Contracting Party to the Agreement on the European Economic Area;

(c) 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 which is a Contracting Party to the Agreement on the European Economic Area.

12. (Amended, SG No. 106/2008, effective 1.01.2009) "Supplementary voluntary social insurance shall be the social insurance covered under Titles Three and Four of Part Two of the Social Insurance Code, as well as the voluntary social insurance implemented according to the legislation of a Member State of the European Union, or of another State which is a Contracting Party to the Agreement on the European Economic Area, by an institution which carries on business directly related to retirement insurance or to vocational-training and unemployment insurance.

13. (Amended, SG No. 106/2008, effective 1.01.2009) "Voluntary health insurance" shall be the insurance covered under Chapter Three of the Health Insurance Act, as well as the activity of voluntary health insurance implemented according to the legislation of a Member State of the European Union, or of another State which is a Contracting Party to the Agreement on the European Economic Area, by an institution which carries on the business of voluntary (supplementary) health insurance.

14. (Amended, SG No. 106/2008, effective 1.01.2009) "Life assurances" shall be the classes of insurance referred to in Items 1 and 3 of Section I of Annex No. 1 to the Insurance Code, concluded by insurers licensed according to the Insurance Code, or by insurers with a registered office in a Member State of the European Union, or in another State which is a Contracting Party

to the Agreement on the European Economic Area, carrying on business under either the right of establishment or the freedom to provide services.

15. "Income accruing from investment of technical provisions" shall be the portion of the net financial income from investment of the resources in the mathematical (premium) provisions as distributed by an insurer to the individual accounts of the insured.

16. "Insurance benefit" shall be insurance benefit within the meaning given by the Insurance Code.

17. "Ground rent" shall be income accruing to the owner of agricultural land for the use of the said land from a cooperative registered under the Cooperatives Act.

18. "Rent charge" shall be income accruing to a lessor by virtue of a contract of tenancy.

19. "Producer dividends" shall be the dividends distributed to the members of a cooperative for output thereby produced and sold to the said cooperative.

20. "Consumer dividends" shall be the dividends distributed for consumer goods which the members of a cooperative purchase from the said cooperative.

21. (Amended, SG No. 95/2009, effective 1.01.2010) "Unprocessed agricultural product" shall be any primary product obtained from plants and animals which is used in its natural form, without being subject to technological processing or treatment as a result of which any physico-chemical changes have occurred in the composition.

22. (Repealed, SG No. 106/2008, effective 1.01.2009).

23. (Repealed, SG No. 106/2008, effective 1.01.2009).

24. (Supplemented, SG No. 106/2008, effective 1.01.2009, amended, SG No. 32/2009, effective 1.01.2010) "Medical-treatment facilities" shall be the medical-treatment facilities under the Medical-Treatment Facilities Act.

25. "Donation for culture" shall be the assistance provided gratuitously under the terms and according to the procedure established by the Financial Support for Culture Act.

26. "Employment relationships" shall be:

(a) the legal relationships with factory and office workers under the Labour Code;

(b) the legal relationships with civil servants and the legal relationships between the Minister of Defence and the Minister of Interior or officials authorized thereby, of the one part, and the employees of the relevant ministries, of the other parts;

(c) (supplemented, SG No. 64/2007) the legal relationships with the members of the Supreme Judicial Council, the Inspector General and the inspectors of the Inspectorate at the

Supreme Judicial Council, the judges, prosecutors, investigating magistrates, chief administrators and the deputies thereof in the judicial authorities, the public enforcement agents, the recording magistrates and the judicial officers under the Judicial System Act, as well as the legal relationships under the Constitutional Court Act;

(d) the legal relationships between the Bulgarian Orthodox Church or another registered denomination under the Religious Denominations Act, of the one hand, and the ministers of the said Church or denomination holding a spiritual title, of the other hand;

(e) legal relationships with any persons deriving income from any offices which are elective by virtue of a law;

(f) (amended, SG No. 113/2007) the legal relationships associated with the hiring of workers by a non-resident person, where the work is performed within the territory of the country, as well as the legal relationships on hiring of workers of a resident natural persons by a non-resident person, where the work is performed outside the territory of the country;

(g) (new, SG No. 113/2207) the legal relationships between an employer referred to in Item 27 and a resident or a non-resident natural person, where the said legal relationships are established under a contract for hiring-out of workers between the employer and a third party;

(h) (new, SG No. 113/2207) the legal relationships under management and control contracts, inter alia with the members of management and supervisory bodies of enterprises.

(i) (new, SG No. 95/2009, effective 1.01.2010) the legal relationships, regardless of the grounds for the formation thereof, with partners and cooperative members, as well as with shareholders owning more than 5 per cent of the capital of the joint-stock company, for performance of work in person at the corporations and cooperatives wherein they are partners, cooperative members or shareholders.

27. (Supplemented, SG No. 113/2007) "Employer" shall be any resident person, non-resident person carrying out activity through a permanent establishment or a fixed base within the territory of the country, as well as any representative office under the Investment Promotion Act, who or which hires natural persons under employment relationships or is a party to a contract for hiring-out of workers by a non-resident person.

28. "Practice of a skilled craft" shall be the manufacture of articles or the provision of services carried out by a natural person entered in the register of craftsmen, who is not registered as a sole trader.

29. "Persons practising a liberal profession" shall comprehend: professional accountants; consultants; auditors; lawyers; notaries; private enforcement agents; jurors; experts with the court and the prosecuting magistracy; licensed appraisers; industrial property agents; medical specialists; translators and interpreters; architects; engineers; site managers; intellectuals, educators, artists and scientists; insurance agents; other natural persons in respect of whom the following conditions simultaneously exist:

(a) they carry out a professional activity for their own account;

(b) they are not registered as sole traders;

(c) they are self-insured persons within the meaning given by the Social Insurance Code.

30. "Non-employment relationships" shall be the legal relationships other than such referred to in Items 26, 28 and 29, by virtue of which a natural person, who is not a sole trader, owes the achievement of a specific result.

31. "Intellectual property" shall be the property of any scientific, artistic or literary work, including cinematograph films and television films and recordings for transmission by radio or television; the property of any patent, trade mark, industrial design or utility model, drawing, plan, secret formula or process, as well as of information concerning industrial, commercial or scientific experience (know-how).

32. (Amended, SG No. 113/2007) "Owners' equity of an enterprise," in connection with the application of Article 33 (11) herein, shall be the balance-sheet value of the assets net of the balance-sheet value of the liabilities of the enterprise.

33. "Enterprise" shall be an enterprise within the meaning given by the Accountancy Act, as well as a representative office under the Investment Promotion Act and a contribution payment centre established in pursuance of Article 8 of the Social Insurance Code.

34. "Tax convention" shall refer to:

(a) any convention for the avoidance of double taxation with respect to taxes on income;

(b) any convention for the avoidance of double taxation with respect to taxes on income and capital gains;

(c) any convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income;

(d) any convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains;

(e) any convention or treaty for the avoidance of double taxation of income derived from international air transport, regardless of whether the said conventions or treaties are inter-state or inter-governmental.

35. "Foreign tax credit" shall be the right, enjoyable under conditions as specified by this Act, to allow a tax on income or profit already paid abroad against the tax assessed on the profit accruing to the taxable person from sources inside the country and abroad.

36. "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 penalized for a violation of the same kind.

37. (Repealed, SG No. 113/2007).

38. (Repealed, SG No. 113/2007).

39. (Repealed, SG No. 113/2007).

40. (Repealed, SG No. 113/2007).

41. (Repealed, SG No. 113/2007).

42. (Repealed, SG No. 113/2007).

43. (Repealed, SG No. 113/2007).

44. (Repealed, SG No. 113/2007).

45. (Repealed, SG No. 113/2007).

46. (Repealed, SG No. 113/2007).

47. "Weighted average price" shall be the price which is determined according to the following formula:



where:

WAP shall be the weighted average price;

CA_{1,2...n} shall be the cost of acquisition of the relevant financial asset;

NA_{1,2...n} shall be the number of financial assets acquired at a price of CA_{1,2...n}.

48. (Repealed, SG No. 113/2007).

49. "Savings income" shall be:

(a) any income related to 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, interest paid and discounts made on bonds or debentures (premiums and prizes); penalty charges for late payments shall not be regarded as savings income;

(b) any income deriving from interest accrued or capitalized at the sale, refund or

redemption of the debt claims referred to in Littera (a);

(c) any income referred to in Litterae (a) and (b), paid either directly or through a paying agent and distributed by:

(aa) a collective investment scheme licensed in another Member State;

(bb) a paying agent certified in the Member State where the said agent is established, treated as a collective investment scheme;

(cc) a collective investment scheme established in a third country;

(d) income realized upon the sale, refund or redemption of shares or units in persons referred to in Litterae (aa), (bb) and (cc), if they invest directly or indirectly (via persons referred to in Litterae (aa), (bb) and (cc)) more than 40 per cent of their assets in debt claims referred to in Littera (a).

50. "Paying agent" shall be any person carrying out economic activity within the territory of the Kingdom of Belgium, the Republic of Austria or in the Grand Duchy of Luxembourg, who or which pays savings income to resident natural persons under this Act, including where the said agent is an intermediary upon payment of the said income.

51. (New, SG No. 113/2007) "Residential immovable property", in connection with the application of Item 1 of Article 13 (1) herein, shall be a corporeal immovable which, at the time of the sale or exchange, may serve for the satisfaction of housing needs.

52. (New, SG No. 95/2009, effective 1.01.2010) "Principal employment relationship" shall be the employment relationship referred to in Item 26, whereof the formation predates the formation of any other employment relationships with the same person.

53. (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.

54. (New, SG No. 95/2009, effective 1.01.2010) "Seafarer" shall be a natural person occupying a position under an employment relationship as a member of the complement of a seagoing vessel entered into the register of ships of a Member State of the European Union, regardless of whether on shore or on board, holding a licence of competence and a certificate of supplementary and/or specialist training acquired according to the procedure established by the ordinance referred to in Article 87 (1) of the Merchant Shipping Code.

§ 2. This Act transposes the provisions of Council Directive 90/434/EEC on the common system of taxation applicable to mergers, divisions, partial divisions, transfers or assets and exchanges of shares concerning companies of different Member States and to the transfer of the registered office, of an SE or SCE, between Member States and Council Directive 2003/48/EC on taxation of savings income in the form of interest payments.

TRANSITIONAL AND FINAL PROVISIONS

§ 3. The Personal Income Tax Act (promulgated in the State Gazette No. 118 of 1997; modified by Constitutional Court Judgement No. 6 of 1998, promulgated in No. 35 of 1998;

amended in Nos. 71 and 153 of 1998, Nos. 50, 103 and 111 of 1999, No. 105 of 2000, No. 110 of 2001, Nos. 40, 45, 61 and 118 of 2002, Nos. 42, 67, 95 and 112 of 2003, Nos. 36, 37, 53, 70 and 108 of 2004, Nos. 43, 102, 103 and 105 of 2005, Nos. 17 and 63 of 2006) is hereby superseded.

§ 4. (1) Any person, who or which is a principal employer within the meaning given by the Personal Income Tax Act as superseded at the 31st day of December 2006, shall recalculate finally the tax on the income from employment relationships and legal relationships equivalent to an employment relationship on an annual basis according to the procedure established by the said Act not later than the 31st day of January 2007.

(2) Article 49 (5), (6) and (7) herein shall apply to the difference in the tax in connection with the recalculation referred to in Paragraph (1).

(3) The employers within the meaning given by the Personal Income Tax Act as superseded shall issue the certificate referred to in Article 38 of the said Act on the income from employment relationships received during 2006.

§ 5. The amount of the tax prepayment upon the final payment of the income in respect a taxable income from employment relationships within the meaning of this Act, charged but unpaid prior to the entry of this Act into force, shall be determined according to Article 42 (3) herein.

§ 6. (1) Any income received prior to the entry of this Act into force, other than income from employment relationships, and which is subject to taxation under the Personal Income Tax Act as superseded, in respect of which the date of acquisition of the income under this Act is after the 1st day of January 2007, shall be deducted upon determination of the taxable income under this Act.

(2) The portion of the taxable income which, in pursuance of Article 22 (2) of the Personal Income Tax Act as superseded, was ignored upon determination of the tax base within the meaning given by the said Act, shall be declared as taxable income under this Act during the next succeeding tax years until depletion of the remainder of the years referred to in Article 22 (2) of the Personal Income Tax Act as superseded.

§ 7. (1) Any income received in 2006 and subject to declaring according to the procedure established by the Personal Income Tax Act as superseded shall be declared not later than the 15th day of April 2005 by submission of the annual tax return referred to in Article 41 of the said Act.

(2) Any enterprises, which paid any income other than income from employment relationships and pensions to natural persons in 2006, shall submit the statement referred to in Article 57 of the Personal Income Tax Act as superseded not later than the 15th day of April 2007.

§ 8. (1) The tax due on any income received during 2006 shall be remitted within the time limits and according to the procedure established by the Personal Income Tax Act as superseded.

(2) A rebate in respect of the tax remitted under Paragraph (1) shall be enjoyed under the terms, according to the procedure and at the rate established by the Personal Income Tax Act as superseded.

§ 9. The standard forms of an annual tax return for 2006 and the statement for 2006 referred to in Article 57 of the Personal 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.

§ 10. (Effective 24.11.2006) The standard forms of the Statement of Amounts Paid and the certificate referred to in Article 45 (4) herein, of the certificate referred to in Article 58 herein and of the tax return referred to in Article 59 (1) herein shall be endorsed not later than the 31st day of December 2006 by orders of the Minister of Finance. The said standard forms and orders shall be promulgated in the State Gazette.

§ 10a. (New, SG, 41/2009, effective 1.07.2009) (1) Persons with disabilities of type and extent 50 % or over 50 % as determined by the competent body valid decision, shall enjoy the tax relief for persons with reduced working capacity according to the procedure of this Act.

(2) Persons, for whom durably reduced working capacity for life has been determined by 31.12.2009 according to the procedure of the Health Act, and persons with durably reduced working capacity determined for life by force of § 3 of the Health Act Transitional and Final Provisions are deemed persons with disabilities of type and extent determined for life.

§ 11. In the Social Insurance Code (promulgated in the State Gazette No. 110 of 1999; modified by Constitutional Court Judgment No. 5 of 2000, promulgated in No. 55 of 2000; amended in No. 64 of 2000, Nos. 1, 35, and 41 of 2001, Nos. 1, 10, 45, 74, 112, 119 and 120 of 2002, Nos. 8, 42, 67, 95, 112 and 114 of 2003, Nos. 12, 38, 52, 53, 69, 70, 112 and 115 of 2004, Nos. 38, 39, 76, 102, 103, 104 and 105 of 2005, Nos. 17, 30, 34, 56, 57, 68 and 82 of 2006), the words "the Personal Income Tax Act" shall be replaced passim by "the Income Taxes on Natural Persons Act".

§ 12. In the Protection Against the Harmful Impact of Chemical Substances and Preparations Act (promulgated in the State Gazette No. 10 of 2000; amended in No. 91 of 2002, Nos. 86 and 114 of 2003, Nos. 100 and 101 of 2005, Nos. 30 and 34 of 2006), in Item 17 of § 1 of the Supplementary Provision, the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 13. In the Health Insurance Act (promulgated in the State Gazette No. 70 of 1998; amended in Nos. 93 and 153 of 1998, Nos. 62, 65, 67, 69, 110 and 113 of 1999, Nos. 1, 31 and 64 of 2000, No. 41 of 2001, Nos. 1, 54, 74, 107, 112, 119 and 120 of 2002, Nos. 8, 50, 107 and 114 of 2003, Nos. 28, 38, 49, 70, 85 and 111 of 2004, Nos. 39, 45, 76, 99, 102, 103 and 105 of 2005, Nos. 17, 18, 30, 33, 34 and 59 of 2006), in Article 42 (1) and (3) and § 19d (5) of the Transitional and Final Provisions, the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 14. In the Integration of Persons with Disabilities Act (promulgated in the State Gazette No. 81 of 2004; amended in Nos. 28, 88, 94, 103 and 105 of 2005, Nos. 18, 30, 33, 37 and 63 of 2006), in Article 40 (3) and Article 41, the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 15. In the Act Conferring Certain Rights on Persons Who Have Served as Presidents of the Republic of Bulgaria (promulgated in the State Gazette No. 59 of 2003), in Article 2 (2), the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 16. In the Family Allowances Act (promulgated in the State Gazette No. 32 of 2002; amended in No. 120 of 2002, No. 112 of 2003, No. 69 of 2004, No. 105 of 2005, Nos. 21, 30, 33 and 68 of 2006), in Item 2 of § 1 of the Supplementary Provisions, the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 17. In the Local Elections Act (promulgated in the State Gazette No. 66 of 1995; corrected

in No. 68 of 1995; modified by Constitutional Court Judgment No. 15 of 1995, promulgated in No. 85 of 1995; amended in No. 33 of 1996; modified by Constitutional Court Judgment No. 4 of 1997, promulgated in No. 22 of 1997; amended in Nos. 11 and 59 of 1998, Nos. 69 and 85 of 1999, No. 29 of 2000, No. 24 of 2001, No. 45 of 2002, Nos. 69 and 93 of 2003, No. 28 of 2005, Nos. 17, 24, 30 and 69 of 2006), in Article 33 (2), the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 18. In the Election of Members of Parliament Act (promulgated in the State Gazette No. 37 of 2001; modified by Constitutional Court Judgment No. 8 of 2001, promulgated in No. 44 of 2001; amended in No. 45 of 2002, Nos. 28, 32 and 38 of 2005, Nos. 24, 30 and 63 of 2006), in Article 15a, the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 19. In 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, 82 and 86 of 2006), in Item 1 of Article 178 (2), the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 20. In the Election of President and Vice President of the Republic Act (promulgated in the State Gazette No. 82 of 1991; amended in No. 98 of 1991, No. 44 of 1996, No. 59 of 1998, Nos. 24, 80 and 90 of 2001, No. 45 of 2002, No. 28 of 2005, Nos. 24 and 63 of 2006), in Article 101 (3), the words "the Personal Income Tax Act" shall be replaced by "the Income Taxes on Natural Persons Act".

§ 21. This Act shall enter into force on the 1st day of January 2007, with the exception of § 10, which shall enter into force on the day of promulgation of the Act in the State Gazette.

This Act was passed by the 40th National Assembly on the 9th day of November 2006 and the Official Seal of the National Assembly has been affixed thereto.

Act to Amend and Supplement the Income Taxes on Natural Persons Act

(SG No. 113/2007, effective 1.01.2008)

TRANSITIONAL AND FINAL PROVISIONS

§ 48. (1) A final tax under Article 38 (8) of the Income Taxes on Natural Persons Act shall be levied on the gross amount of taxable incomes from life assurance acquired on the date of modification of the contract of insurance, in respect of which a relief under Article 19 herein has been enjoyed according to the procedure of the Personal Income Tax Act (promulgated in the State Gazette No. 118 of 1997; modified by Constitutional Court Judgement No. 6 of 1998, promulgated in No. 35 of 1998; amended in Nos. 71 and 153 of 1998, Nos. 50, 103 and 111 of 1999, No. 105 of 2000, No. 110 of 2001, Nos. 40, 45, 61 and 118 of 2002, Nos. 42, 67, 95 and 112 of 2003, Nos. 36, 37, 53, 70 and 108 of 2004, Nos. 43, 102, 103 and 105 of 2005, Nos. 17, 63 and 102 of 2006; repealed in No. 95 of 2006) as repealed, into a contract in respect of which a tax relief under Article 19 of the Income Taxes on Natural Persons Act is enjoyable.

(2) A final tax shall not be levied on the income referred to in Article 38 (8) of the Income Taxes on Natural Persons Act, corresponding to the portion of the payments/premiums, for which a tax relief has not been enjoyed under the Personal Income Tax Act as repealed.

§ 49. The reliefs for durably reduced working capacity, as provided for in the Act, shall be

enjoyable for life where the period of validity of the expert decision of the Territorial Medical Expert Board/National Medical Expert Board has not expired at the 31st day of December 2004 and the person has attained the age of 65 years before that date or within the period of validity of the expert decision.

§ 50. (1) The income referred to in Article 33 (3) of the Income Taxes on Natural Persons Act, in respect of which the date of transfer of ownership precedes the 1st day of January 2007, shall be deemed to be acquired on the date determined in Article 11 (1) of the Income Taxes on Natural Persons Act.

(2) The income referred to in Article 33 (11) of the Income Taxes on Natural Persons Act, in respect of which the date of the judgment of court on the transfer precedes the 1st day of January 2007, shall be deemed to be acquired on the date determined in Article 11 (1) of the Income Taxes on Natural Persons Act.

§ 51. (1) The provisions of the Income Taxes on Natural Persons Act or of the Personal Income Tax Act as repealed shall apply to any liabilities for a final annual (licence) tax which have been incurred until the 31st day of December 2007 inclusive, and the said liabilities shall be ascertained, secured and collected according to the procedure established by the Tax and Social-Insurance Code by the authorities of the National Revenue Agency.

(2) Any proceedings for ascertainment, securing and collection of liabilities for a final annual (licence) tax, initiated by the 31st day of December 2007, shall be completed by the authorities of the National Revenue Agency.

§ 52. This Act shall enter into force on the 1st day of January 2008.
Act to Amend and Supplement the Income Taxes on Natural Persons Act

(SG No. 106/2008, effective 1.01.2009)

TRANSITIONAL AND FINAL PROVISIONS

§ 19. The statement referred to in Article 73 (1) on the income paid to natural persons during the tax year 2008 shall also include the income covered under Article 38 (1), paid during the same year, when the said income is not included in a statement on prior tax years.

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Act to Amend and Supplement the Income Taxes on Natural Persons Act

(SG No. 95/2009, effective 1.01.2010, supplemented, SG No. 99/2009,
effective 1.01.2010)

TRANSITIONAL AND FINAL PROVISIONS

§ 24. Where any income referred to in Item 26 (i) of § 1 of the Supplementary Provisions [of the Income Taxes on Natural Persons Act] has been charged but unpaid until the 31st day of

December 2009, the amount of the tax prepayment due shall be determined according to the procedure established by Article 42 [of the Income Taxes on Natural Persons Act] on the basis of the monthly taxable amount determined in respect of the income paid during the month concerned.

§ 25. Article 51 [of the Income Taxes on Natural Persons] 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.

§ 26. Tax retention under Article 48 (6) [of the Income Taxes on Natural Persons 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, retention may be applied for 2010 as well. Retention of tax prepayments of agricultural producers shall be inadmissible until the date of the positive decision of the European Commission.

§ 27. The administrator of the State aid referred to in Article 48 (6) [of the Income Taxes on Natural Persons 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.

§ 28. The tax on the annual taxable amount in respect of the income from economic activity in a sole-trader capacity shall be retained according to the procedure established by Article 48 (6) [of the Income Taxes on Natural Persons Act] until the 31st day of December 2013.

§ 29. The tax prepayment on income from employment relationships of seafarers, charged after the 31st day of December 2009 for prior tax years, shall be determined according to the procedure established by Article 42 (4) [of the Income Taxes on Natural Persons Act], effective at the date whereat the income was charged.

§ 29a. In the annual tax return under Article 50 for 2009 the monetary loans under Article 50, paragraph 1, item 5 shall also be declared.

.....
to Chapter Seven
effective 1.01.2008)

Annex
(Repealed, SG No. 113/2007,