

*Expatriate Handbook
for Bulgaria*
2015



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Expatriate Handbook for Bulgaria

2015 Edition

Introduction

International assignees working in Bulgaria

This booklet traces your assignment to Bulgaria through several steps - what to do before you arrive in the country, what to do once you are here, and what to do before you leave. Following these steps will make your assignment easier and hopefully, more enjoyable.

This booklet is not intended to be a comprehensive or exhaustive study on Bulgarian law and the relevant practices. It should be used as a guide as you prepare for your assignment to the country. We would suggest that you seek professional advice before making any decisions, as laws and interpretations in Bulgaria continue to frequently change. This booklet will however give you the preliminary information you can use to define the issues that may be relevant to your situation.

We would be happy to assist you with advice and practical help. Please contact us at:

PricewaterhouseCoopers Bulgaria EOOD
9 – 11 Maria Louisa Blvd.
Sofia 1000, Bulgaria
tel: + 359 (02) 91003, 9355 100
fax: + 359 (02) 9355 166

Irina Tsvetkova, Country Managing Partner
Paul Tobin, Tax Partner
Mina Kapsazova, Tax Manager



Immigration procedures – What to do before you arrive



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EU/EEA ASSIGNEES

I. Entry requirements

Being a citizen of an EU, an EEA Member State or Switzerland, you can enter, reside for up to 90 days and depart from Bulgaria with your personal ID card or international passport. The same rules apply for your family members if they are citizens of any of these countries.

If your family members are not EU, EEA or Swiss citizens themselves, they can enter into and depart from Bulgaria if they have a residence permit issued for one of these countries. If they do not have such a permit, they will need to travel to Bulgaria with a valid international passport. An entry visa may be required too, depending on the case.

If you wish to stay for more than 90 days in the country, you should apply for a certificate for long-term residence in Bulgaria.

Work permits and visas D are not required for EU/EEA citizens.

Non-EU/EEA ASSIGNEES

Before you arrive to Bulgaria, and depending on the purpose of your stay, you may need to obtain an entry visa (short-term visa type C) or a work permit and a long-term visa type D.

I. Entry visa

Generally, non-EU nationals need a visa to enter Bulgaria.

An entry visa serves the purpose of short-term visits to the country, e.g. (up to 90 days) on business or private trips. It does not allow you to work or reside in Bulgaria.

Citizens of certain countries (e.g. the USA, Canada, Brazil, Australia, New Zealand, Japan, and some others) can reside in Bulgaria without visas for up to 90 days within a period of 6 months.

As of 19 December 2009 citizens of Serbia, Macedonia and Montenegro, who previously needed entry visas for Bulgaria, are also entitled to up to 90 days non-visa stay in Bulgaria within a period of 6 months, provided that their international passports contain biometrical data.

If your intention is to work and live in Bulgaria, you should follow the procedures described below in addition to the entry visa requirements.

II. Work permit

1. General rules for work permits

If you intend to work in Bulgaria, you must obtain a work permit before you arrive in the country. The work permit procedure is quite lengthy and you should contact an advisor for immigration assistance at least 4-5 months before the envisaged start date of your assignment to help you prepare the set of documents required.

You should not be in the country when your application is made and should not work or reside in Bulgaria while the procedure is underway.

Work permits can be issued on two grounds - **employment** with a Bulgarian resident company, or **secondment** to a Bulgarian resident company.

Secondments can be arranged on the basis of either an inter-company transfer between two companies of the same group or an agreement between two independent companies.

Work permits can be issued also to foreigners who are highly-skilled professionals and who want to apply for issuance of a European Union Blue Card.

Work permits are valid for a definite period of time (usually 1 year), a specific job position and place of work.

Changes in these conditions require a new permit.

2. Exceptions to the work permit requirement

a) Managers of Bulgarian companies

A work permit is not required for certain positions which are subject to statutory registration with the Bulgarian Trade Register or the Chamber of Commerce and Industry, e.g. managing directors, board members and procurators of a Bulgarian company and managers of a branch or a representative office of a non-resident company.

Please see also the section below on obtaining a residence permit.

b) Short-term assignment

If you are assigned to Bulgaria for up to 90 days in a 12-month period to perform certain tasks related to imported equipment, the local company where you will work should only register you with the Employment Agency prior to your arrival in Bulgaria. A work permit is not required.

No residence permit is required for short-term assignments.

c) Family members of Bulgarian citizens and EU citizens

If you are a member of the family of a Bulgarian, or an EU citizen, or a foreigner having received a long-term residence permit in Bulgaria you may work without a work permit in Bulgaria. The only requirement is that the local company where you will work should register you with the Labour Bureau Directorate within 7 days as from the beginning of the employment.

Please see also the sections below on obtaining a visa D and a residence permit.

d) Tourist operator secondees

Individuals, seconded by a foreign tour operator for particular tasks related to control and coordination of tourist services agreements with Bulgarian tour operators or hoteliers may also work without work permits for up to 6 months within a 12-month period based on a one-off registration with the Employment Agency.

Please see also the sections below on obtaining a visa D and a residence permit.

3. Procedure and timing

As mentioned, you should not be in Bulgaria when your work permit application is made and should not work or reside in Bulgaria while the procedure is underway.

Work permits are issued by the Employment Agency with the Ministry of Labour and Social Policy. The application is made by the Bulgarian company where you

will work.

The statutory term for issuance of a work permit is 1 month from application but in practice it takes much longer (sometimes more than 3 months from application).

Work permits allowing foreigners who are highly skilled professionals to work in Bulgaria are issued within 15 days from application.

Work permits are issued for a period of up to 1 year. A permit issued on the grounds of local employment can usually be prolonged each year, if the initial grounds for claiming the permit are still in place. A one-month interruption may be necessary after the third year. Exceptions are possible in very limited cases.

Work permits issued to seconded foreign nationals (as opposed to directly hired by the Bulgarian employer) cannot be prolonged after the expiry of the initial one-year validity term, except for some very specific cases.

Work permits issued to highly skilled professionals may be prolonged provided the conditions for their issuance are still in place. In case of a change of the employer, a new work permit procedure should be launched.

The statutory fee for issuance of a work permit is currently approximately EUR 300.

4. Documents

a) General set of documents

Certain company documents are always required with the work permit application, regardless of the grounds of the application (e.g. a company registration certificate, a declaration containing information on the number of personnel (Bulgarians and expatriates) working for the local company, etc.).

There are also specific documents to be submitted, which vary depending on the specific case.

b) Work permit on the grounds of employment with a Bulgarian company:

Some specific documents are required for an application on the above grounds: an employment contract signed between the expatriate and the Bulgarian company, a justification letter, diplomas and other education documents, etc.

c) Work permit on the grounds of secondment to a Bulgarian company:

The documents required for an application for all secondments include: a document for the incorporation of the foreign employer, issued by the competent authority abroad; a confirmation letter for the assignment of the expatriate to Bulgaria, signed by the Management of the foreign employer; the organisational chart of the Bulgarian company (as secondees can monitor, coordinate, advise but cannot hold management positions; the organisational chart serves to show that there is a Bulgarian holding the management position and the secondee only supervises his or her work); legalised and apostilled official documents proving the relationship between the foreign employer and the Bulgarian company; a CV of the expatriate, legalised and apostilled diploma, etc. For secondments between independent parties, in addition to the above an inter-company agreement (e.g. for provision of services) is required to explain the purposes of the arrangement and the necessity of foreign personnel, etc.

d) Work permit issued to highly-skilled professionals:

The specific documents required are a diploma or other educational document certifying at least 3-years of tuition in an educational establishment in the respective country recognised as high school/college or university; the contracted salary of the foreigner in Bulgaria should be at least 1.5 times higher than the average salary in Bulgaria as per the statistical data for the previous 12 months.

Quite often the Employment Agency would require additional documents, and you should check the status of your application and whether more information and documentation should be prepared and filed.

In view of the large number of documents and the complex procedures, we recommend that you consult with a specialist as early as possible, preferably 4-5 months before the start date of your assignment in Bulgaria.

III. Long-term visa type D

Once your work permit is approved and issued or once you are registered as a manager, board member or procurator of a Bulgarian company, you will need to apply for a long-term visa type D, in order to apply for a residence permit at a later stage when you are in Bulgaria (see next section).

A visa D cannot be issued in Bulgaria and you will need to apply for it in the Bulgarian embassy in your country of residence.

Depending on your work and civil status, you will need to file different documents. The consulate section of each embassy may require different documents so it is advisable that your consultant checks what these are well in advance.

As with the work permit, the consulate officials may require additional documents and you should check the status of your application and whether more information and documentation should be prepared and filed.

Visa D will allow you to stay in the country for 180 days within a 6-month period and to apply for a Bulgarian residence permit.

Visa D is a multiple entry visa. The visa will be cancelled upon issuance of a residence permit. Please see the following section on residence permits.

The term for issuance of a visa D is 30 working days, but in practice it could take twice as long. You should check the status of your application and whether more information and documentation should be prepared and filed. In view of this, we recommend that you consult with a specialist as early as possible.

*Immigration procedures –
What to do on arrival*



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EU/EEA ASSIGNEES

1. Residence Certificate

Once you are in the country, if you wish to stay for more than 90 days, you should apply for a certificate for long-term residence in Bulgaria from the Bulgarian police authorities.

The application for issuance of the residence certificate should be filed to the National Police Office (Migration Directorate) within 3 months of your first entry into the country. Certain documents need to be enclosed to the application proving the purpose of your stay in Bulgaria (e.g. employment, self-employment, education, etc.), the availability of health insurance and financial means to cover your living expenses for the term of your stay in Bulgaria.

The statutory term for issuance of the certificate is 1 working day. The maximum term of validity of the certificate is 5 years.

Upon your request, the residence certificate may be issued in the form of an ID card. An administrative fee of around EUR 9 is payable and the ID card would be issued within a month of application (or within 3 working days if you pay double the administrative fee, i.e. EUR 19).

2. Family members

a) Citizens of EU/EEA Member States or Switzerland

To obtain a residence certificate, your family members who are also EU, EEA or Swiss citizens should follow the same procedure as described above. They should support their applications with documents evidencing their family relations to you.

Family members include spouses, partners, children under 21 years, and dependents.

b) Non-EU citizens (third country nationals)

If your family members are non-EU citizens, they should apply for a residence card within 3 months from the date of first entry in the country. The application should be filed to the National Police Office (Migration Directorate) and should be supported with documents evidencing family relations to you, and a copy of your certificate for long-term residence in Bulgaria, availability of financial means to cover their expenses in Bulgaria (e.g. a declaration for financial support signed by you).

The statutory term for issuance of the residency card is 3 months from the date of application.

The term of validity of the card is tied to the term of validity of your residence certificate (i.e. up to 5 years). Upon application your family members would be issued a temporary certificate of residence which would be valid until the residence card is granted.

Non-EU/EEA ASSIGNEES

1. Address registration

Until you have a residence permit, every time you enter the country you need to fill out an address registration card at the border.

If you are staying at a hotel, the hotel administration should register you in a special register and report this information to the local police station as per the location of the hotel.

If you are not staying at a hotel, upon each entry to the country your landlord should report to the local police station within 5 days your personal data – name, nationality, date of birth and passport details.

2. Residence permit

a) Issuance

There are different types of residence permits, namely:

- Short-term residence permit for up to 90 days
- Continuous residence permit for up to 1 year
- Long-term residence permit for an initial term of 5 years with a possibility for extension – it may be issued to foreigners who have resided legally in Bulgaria for 5 years without interruption
- Permanent residence permits for an indefinite period of time.

Residence permits are issued by the Ministry of Internal Affairs (Migration Directorate) upon submission of certain documents in person to the police authorities.

The statutory term for issuance of a residence permit for continuous residence is 14 working days, but in more complex cases where additional documents should be presented, this term may be extended to one month. In practice it may take longer.

The statutory fee for a 1-year permit (the most frequently applied for) is currently approximately EUR 250.

b) Family members

If you have obtained the necessary permits, your spouse and children can also apply for a visa D first, and then for a residence permit. Their applications should be supported with certain documents, including a copy of your residence permit, your marriage certificate, birth certificates, as well as documents evidencing you have sufficient funds to cover their living expenses.

Residence permits issued to family members allow them to reside in the country but not to work. To work, they need to apply for a work permit on their own grounds.

3. ID card

a) Filing for your ID card

Once you have a residence permit which is stamped in your passport, you should file in person an application for an ID card.

b) Term and fee

The statutory term for issuance of the ID card is 10 working days and the statutory fee is currently approximately EUR 23.

When you are issued a Bulgarian ID card for the first time, you are provided with a

Personal Identification Number (PI Number). The PI Number needs to be additionally registered with the Bulgarian Revenue Agency and it is used in communications with the tax, social security and other public authorities in Bulgaria. The PI Number is unique and does not change even if you are issued new ID documents later.

4. European Union Blue Card

As of 1 June 2011 Bulgaria introduced the EU Blue card. The EU Blue card is a permit which gives highly skilled non-EU nationals the right to work and reside in the European Union. In Bulgaria the EU Blue card is issued by the Ministry of Interior (Migration Directorate) in case the foreigner has obtained a visa D for Bulgaria and a work permit as a highly-skilled professional issued by the Ministry of Labour and Social Policy.

In view of the number of documents and procedures, we recommend early consultation with a specialist.



Bulgarian income taxes – Basic principles



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I. Tax registration requirements

EU/ EEA ASSIGNEES

You should apply for a Personal Identification Number (PI Number), which will be used in all further communications with the Bulgarian National Revenue Agency (NRA) regarding tax and social security matters. Such numbers are obtained, after application, either from the Migration Directorate based on the residency certificate or from the tax office directly. If you obtain a PI Number from the Migration Directorate you should also register it with the Bulgarian National Revenue Agency.

Non-EU/EEA ASSIGNEES

The Personal Identification Number provided to you with your Bulgarian ID card is used in communications with the revenue and other public authorities in Bulgaria. A registration of the PI Number with the Bulgarian National Revenue Agency is also required.

II. Basic principles of taxation

The Bulgarian tax year is the calendar year.

Taxation in Bulgaria depends on your tax residence status:

- Bulgarian tax residents are taxed on their worldwide income
- Bulgarian tax non-residents are taxed on their income from Bulgarian sources only.

1. Tax residence

According to Bulgarian tax law, irrespective of your citizenship, you will be considered a Bulgarian tax resident if:

a) you have a permanent address in Bulgaria

b) you reside in the country for more than 183 days in any 12-month period

In this case you will become a Bulgarian tax resident for the whole calendar year in which the 183rd day is exceeded.

c) you have been assigned to work in another country by a Bulgarian enterprise (or the Bulgarian state or state organisations), or

d) your centre of vital interests is in Bulgaria.

Your centre of vital interests is determined with regard to your personal and economic ties to the country. A number of factors are considered in this respect, such as where your family is, possession of property in the country, the place where you perform your employment, professional or economic activity, etc. However, if you have a permanent address in Bulgaria but your centre of vital interests is not in Bulgaria, you will not be considered a Bulgarian tax resident.

If a double tax treaty (DTT) is in place, your tax residence status will be determined in accordance with the provisions of the DTT, which has prevalence over domestic legislation.

2. Bulgarian source income

The following income is of Bulgarian source and is taxable in Bulgaria, even if you are a tax non-resident:

- employment income, when the work is performed on the territory of Bulgaria, regardless of the payment source
- income from services rendered on the territory of Bulgaria
- fees received by managers and members of management boards of Bulgarian registered companies or the remuneration of the manager of a representative office or a branch of a foreign company in Bulgaria, regardless of the payment source
- dividends and liquidation proceeds from participation in Bulgarian resident companies and unincorporated entities
- interest paid by Bulgarian resident entities (except interest on bank deposits)
- rental or other income derived from real estate or movable property in Bulgaria
- copyright and licence royalties paid by Bulgarian resident entities
- technical services fees paid by Bulgarian resident entities
- fees earned under franchise and factoring agreements paid by Bulgarian resident entities
- capital gains from disposal of assets such as real estate located in Bulgaria or securities in Bulgarian companies
- income from securities, bonds and other financial instruments issued by the Bulgarian State or municipalities, or by Bulgarian resident companies
- awards from games, contests and competitions that are not provided by an employer/assignor.
- certain types of income payable by Bulgarian resident entities to residents of offshore zones (such as service fees and rights, unless they are actually rendered, and penalties and compensation of any type, except for compensation paid under insurance contracts).

III. Types of income

1. Employment income

Income received for work under an employment contract is considered employment income. All income, with few exceptions, provided in cash or as benefits in kind by the employer to the employee is considered taxable employment income.

a) Taxable employment income

- Salary
- Bonuses
- Cost-of-living allowance
- Hardship allowance
- Relocation allowance

- Rental and utilities payments
- Extra luggage allowance
- Home trip allowance or airplane tickets
- School fees
- Language training fees (unless work-required)
- Voluntary pension or medical cover
- Company car for private use
- Food allowance
- Health club and other private subscriptions
- Other cash or in kind payments

Payments made by the employer directly to a vendor/third party in favour or for the benefit of an employee are also taxable income for the employee.

b) Non-taxable employment income

- Business trip travel and accommodation costs
- Business trip daily allowances up to the double amount of the statutory allowed limits
- Moving expenses within the country
- The value of special working or representative clothes or personal protection means
- The value of free protection food and antidotes
- Travel cards provided by the employer to commuting employees (mainly for public transportation)
- Compensation for redundancy or for temporary incapacity
- Social benefits provided by the employer in-kind or as one-off payments in case of certain events (e.g. marriage, childbirth or medical treatment), if taxed on corporate level
- Food vouchers up to BGN 60 per month provided to employees under an employan social program
- Insurance premiums up to BGN 60 per month for voluntary pension, unemployment, health and life insurance.

No special concessions are granted to expatriates currently.

c) Tax payments

Upon payment of salaries the employer should withhold the personal tax due on employment income and should remit it to the tax authorities by the 25th day of the following month.

Employment income is taxed with a flat tax rate of 10%.

2. Income from independent services

a) Freelancers and individuals providing services

i. Bulgarian tax residents

Bulgarian tax residents working under services agreements (e.g. freelancers) by statute may deduct 25% of their gross income before taxation as pre-estimated expenses. This taxable base is subject to advance tax payments of 10% on a quarterly basis and to a final annual tax settlement.

ii. Foreign tax residents

Fees for technical services paid to a foreign tax resident individual are subject to a 10% final one-off tax. No deductions are allowed.

Foreigners who perform business activities or provide independent personal services in Bulgaria are required to obtain BULSTAT registration numbers with the Bulgarian Registry Agency. They may also be required to register for VAT purposes if their turnover exceeds BGN 50,000 within 12 months.

3. Rental income

i. Bulgarian tax residents

A statutory deduction of 10% of the gross income is allowed for income from rent, or other income derived from letting movable or immovable property including from lease, franchise and factoring agreements.

The income is subject to quarterly advance tax payments at the rate of 10% and to a final tax on an annual basis. If the income is paid by a Bulgarian entity or a freelancer they are obliged to withhold from the lessor the due advance tax upon payment of the income. The tax has to be remitted by the entity or a freelancer to the tax office by the end of the month following the quarter when the income was paid.

No expenses exceeding 10% are accepted for tax deduction purposes. Rental loss is not recognised for tax purposes and may not be offset against rental profit.

ii. Foreign tax residents

Rental income from property located in Bulgaria received by individuals who are foreign tax residents is subject to a 10% final one-off tax. No deductions are allowed.

Foreigners who have not been issued a Bulgarian PI Number and who own real estate in Bulgaria are required to obtain BULSTAT registration numbers with the Bulgarian Registry Agency.

In case the payer of income from rent is an entity or a freelancer, the advance tax shall be deducted and remitted to the tax office by the entity or the freelancer – payer of the rental income.

In case the income payer is an individual, the obligation for paying the advance tax lies with the individual who has earned the rental income (i.e. the lessor).

4. Income from disposal of real estate

i. Bulgarian tax residents

Income from capital gains from disposal of real estate, including when the real estate is acquired through donation, is taxable income. A statutory deduction of 10% of the capital gain is allowed. The capital gain is added to the annual taxable income of the individual and is taxed with a 10% flat tax.

Tax exemption is provided in limited cases, e.g.

- For gains from the sale of 1 residential property per year, if it had been owned at least 3 years (applicable to Bulgarian tax residents and residents of EU/EEA Member States)
- For gains from the sale of up to 2 real estate properties¹ owned more than 5 years (applicable to Bulgarian tax residents and residents of EU/EEA Member State).

¹ Residential or business properties, land or forests.

ii. Foreign tax residents

Any capital gain from disposal of real estate located in Bulgaria is subject to a 10% final tax. A statutory deduction of 10% of the capital gain is allowed.

5. Income from capital

a) Capital gains

i. Bulgarian tax residents

The capital gain on the sale or exchange of securities or other financial assets, as well as from foreign currency transactions is taxable income. The gain realised from all disposals during the year may be offset against any capital loss from disposals during the year, and the remaining gain (if any) is added to the annual taxable income of the individual and is taxed with a 10% flat tax.

Capital gains from transactions with securities of public companies on a regulated Bulgarian stock exchange or on a regulated stock exchange in another EU/EEA country are tax-free.

ii. Foreign tax residents

Capital gains on disposal of securities are subject to 10% final tax. The taxable base is the difference between the total amount of capital gain and the capital loss realised during the year. Treaty relief may be possible depending on the specific applicable DTT and after following certain specific procedures.

b) Dividends

i. Bulgarian tax residents

Dividends paid by Bulgarian tax resident entities to Bulgarian tax residents are subject to a 5% final tax at source.

Stock dividends (i.e. company profits distributed as new shares, as well as profits distributed as an increase in the existing par value of shares) are non-taxable.

Dividends paid by entities which are foreign tax residents (non-Bulgarian tax residents) to Bulgarian tax residents qualify as income sourced in the particular foreign country. If a DTT is in place, the taxation of the dividend income will be determined in accordance with the provisions of the DTT.

ii. Foreign tax residents

Dividends paid by Bulgarian resident entities to foreign tax residents are also subject to a 5% final tax at source. Treaty relief may be available. The tax is due in the quarter when the decision for distribution of dividends is taken. The tax is due by the end of the month following the respective quarter. The tax is withheld and remitted by the Bulgarian resident entity.

6. Interest

Interest income from all types of bank accounts (regular bank accounts, saving, checking accounts, fixed-term deposits) is taxable for individuals with an 8% final tax at source.

Interest and discounts on state, municipal and corporate securities are exempt from taxation.

Investment income (similar to interest) on voluntary insurance for pension and unemployment, voluntary health insurance and life insurance contracts is exempt from taxation.

IV. Deductions and allowances

1. Deductions

The following costs are tax deductible when borne by individuals:

- Mandatory health, pension, unemployment, and other related contributions - fully tax-deductible
- Voluntary Life insurance premiums paid to an insurer licensed in Bulgaria or another EU/EEA country – up to a total of 10% of the taxable income
- Voluntary pension or health insurance premiums paid to a fund licensed in Bulgaria or another EU/EEA country – up to a total of 10% of the taxable income
- Donations to certain non-profit organizations in Bulgaria or EU/EEA - up to 5% (and in some specific cases 15% or 50%) of the taxable income. The total amount of the tax relief for donations may not exceed 65% of the total annual tax base.
- The interest on the first BGN 100,000 of a mortgage loan, under certain conditions for young married couples (including foreign individual tax residents of an EU/EEA member state).
- For taxpayers with children - reduction of the total annual taxable base with amounts between BGN 200 and BGN 600 depending on the number of the children. The conditions for this tax relief require that the child is under age, not placed in a specialised care institution as at 31 December of the fiscal year and is a resident of an EU/EEA Member State as at the same date.
- For taxpayers with children with disabilities - reduction of the total annual tax base with the amount of BGN 2,000 for parents whose children have at least 50% disabilities. The conditions for this tax relief require that the child is under age, not placed in a specialised care institution as at 31 December of the fiscal year and is a resident of an EU/EEA Member State as at the same date.

Tax obligations during the year



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1. Payroll withholdings on employment income

Your employer must withhold and remit on a monthly basis to the tax authorities the personal income tax due on employment income. In certain cases such an obligation exists for “economic employers” too (the Bulgarian entity for which you are assigned / seconded to work) even if you do not have direct contractual relations and you are paid via home country payroll.

2. Advance taxes

Service fees payable to Bulgarian tax residents are subject to advance tax payments of 10% on a monthly (or in some cases, quarterly) basis.

Rental income of Bulgarian tax residents is subject to quarterly advance tax payments at the rate of 10%. If the income is paid by a Bulgarian entity or a freelancer, the latter is obliged to withhold the due advance tax upon payment of the income and remit it to the tax office on a quarterly basis. No advance taxes are due on services and rental income for the fourth quarter unless the income recipient so requests in writing to the income payer.

Final taxes on income earned by foreign tax residents should be withheld by the Bulgarian entity which pays out the income. If the paying entity is not a Bulgarian company, the individual should pay the due tax on their own. The taxes are paid on a quarterly basis by the end of the month following the respective quarter.

What to do at the end of the year



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1. Tax return submission and payment of tax

a) Employment income only

If you have only employment income from a Bulgarian employer, you are not required to submit a personal income tax return for the respective year. The Bulgarian employer is obliged to make an annual reconciliation of your income by 31 January of the following year.

b) Other income

If you receive other types of income, you will need to file an annual tax return by 30 April of the following year. The difference between the annual tax due and the advance taxes paid during the year should be transferred to the state budget by 30 April of the following year. You can pay your outstanding personal income tax liability through a bank transfer or online.

The tax return may be filed either in hard copy – in person or by registered mail, or electronically, if you have an electronic signature or a Personal Identification Code.

If the tax return is submitted electronically with the electronic system of the National Revenue Agency through a Personal Identification Code or an electronic signature by 31 March of the following year, tax-liable persons can benefit from a discount of 5% of the outstanding amount due for payment. The deadline for payment is 30 April of the following year.

2. Extensions

There is no possibility for extension of the filing deadline.

3. Fines and penalties

The penalty for not filing a tax return within the filing deadline is up to BGN 500.

Individuals who have filed a tax return with incorrect data may be fined up to BGN 1,000, if no heavier punishment is due (including criminal prosecution). No penalty and interest will be imposed if an individual files a corrective tax return within the deadline for payment of the tax (30 April).

If the tax due is not paid within the statutory deadline, it is subject to collection along with statutory interest (the basic interest rate of the Bulgarian National Bank plus 10 points).

The statute of limitation is 5 years as from the year when the tax was payable.

4. Tax overpayment

In case of an overpayment, you may ask for a refund of the overpaid tax. The tax refund claim may be filed along with the annual tax return or you will need to undergo a special tax refund procedure under the Tax Procedural Code. Also, if your only income during the year was from employment with a Bulgarian company, your employer may refund you the overpaid tax through the payroll upon recalculating your income and taxes by 31 January of the following year.

5. Obtaining a Bulgarian tax certificate

If you paid taxes in Bulgaria, you can obtain a certificate from the Bulgarian tax authorities confirming the tax payments for the purpose of obtaining a tax credit or tax exemption for similar taxes in your home country, if you are so entitled. A certificate for paid taxes could be generally obtained by the Bulgarian tax

authorities in case a Bulgarian annual tax return had been submitted for the respective tax year.

6. Double tax treaty relief

If a double tax treaty applies, its provisions override the domestic regulations. Tax relief is granted in accordance with the method established in the relevant treaty. (Please see Appendix D for a list of the treaties concluded by Bulgaria).

Where there is no double tax treaty, Bulgarian domestic law grants a unilateral tax credit for taxes paid abroad on foreign-source income received by Bulgarian tax residents. The allowed tax credit may not exceed the amount of the Bulgarian tax payable on similar or identical income.

Social security and health insurance



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1. Insurance base and cap

Mandatory social security contributions are due on the gross remuneration (within certain minimum and maximum limits) less any allowed statutory deductions.

The minimum base per month varies depending on the economic activity of the employer and the profession and grade of the employee. For 2015 it is between BGN 360 and BGN 1,579 per month.

The mandatory social security base is capped. For 2015 the maximum base on which contributions are calculated and paid is BGN 2,600 per month.

2. Rates

The most common mandatory aggregate contribution is 30.80%, where the employer pays 17.90% and 12.90% is withheld from the employee's remuneration. Considering the maximum social security base is capped, the maximum annual social security contribution for 2015 (at the most common rate) is around BGN 9,610.

The contributions cover:

- 12.8% for state pension
- 5% for additional pension
- 3.5% for general illness and maternity
- 1% for unemployment insurance
- 0.4% for occupational accident and disease. The contribution varies between 0.4% and 1.1% depending on the economic activity of the employer. It is fully for the account of the employer
- 8% for health insurance.

In addition to the above rates, the State contributes 12% of the monthly social security base of each individual to the state pension fund.

3. Employer/employee participation

The mandatory social security contributions are split between employer and employee. Currently the ratio of the employer: employee participation for most funds is 55:45 and for some funds it is 60:40.

The contributions to the "Accident at Work and Occupational Illness Fund" are entirely at the expense of the employer.

The aggregate social security contributions (employer's part and employee's part) are remitted to the revenue authorities by the employer.

4. Exemptions for expatriates

EU/EEA assignees and citizens of Switzerland

If you are an EU citizen working in the country, as of 1 May 2010 you are subject to the provisions of EC Regulation 883/2004 (which replaced EEC Regulation 1408/71). Under this Regulation you would be insured for social security purposes only in one member state. In principle this would be Bulgaria, where you physically work, unless you can obtain an A1 certificate from your home country social security authorities and thus keep your social security coverage in that country for

a period of up to 5 years.

If you do not have an A1 form issued from your home country, you would be subject to mandatory social security contributions in Bulgaria. The same social security rates as for Bulgarian nationals apply to EU citizens.

Switzerland follows the above EU Regulation as of 1 April 2012.

Non-EU/EEA assignees

If you are a non-EU/EEA citizen and have a Bulgarian residence permit for continuous stay, you are exempt from paying health insurance contributions, which means that the most common aggregate contribution rate for you would be 22.8%. This also means that you will need to pay for the local medical treatment which you may require at special rates for foreigners.

If there is a bilateral social security (totalisation) agreement between Bulgaria and the non-EU/EEA country, you may be exempt from paying Bulgarian social security contributions to some or all funds under the terms of the relevant treaty.

(Please see Appendix C for a list of the bilateral social security agreements concluded between Bulgaria and non-EU/EEA countries).

What to do upon departure from Bulgaria



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1. Informing the authorities

There is no special deregistration procedure for tax purposes in Bulgaria. You can leave the country when your assignment ends without informing the tax authorities. Please see the section on foreign exchange regulations and bank transfers abroad.

Please consider obtaining a certificate for paid taxes in Bulgaria, which may be required by the tax authorities in your home country or elsewhere. You may authorise someone to obtain the certificate for you (through a notarised power of attorney).

If your employment or secondment is terminated prior to the initial term specified, the Bulgarian employer should notify the Employment Agency and you should return the work permit (if you had one) within 3 days of termination of the employment/secondment. The work permit is cancelled.

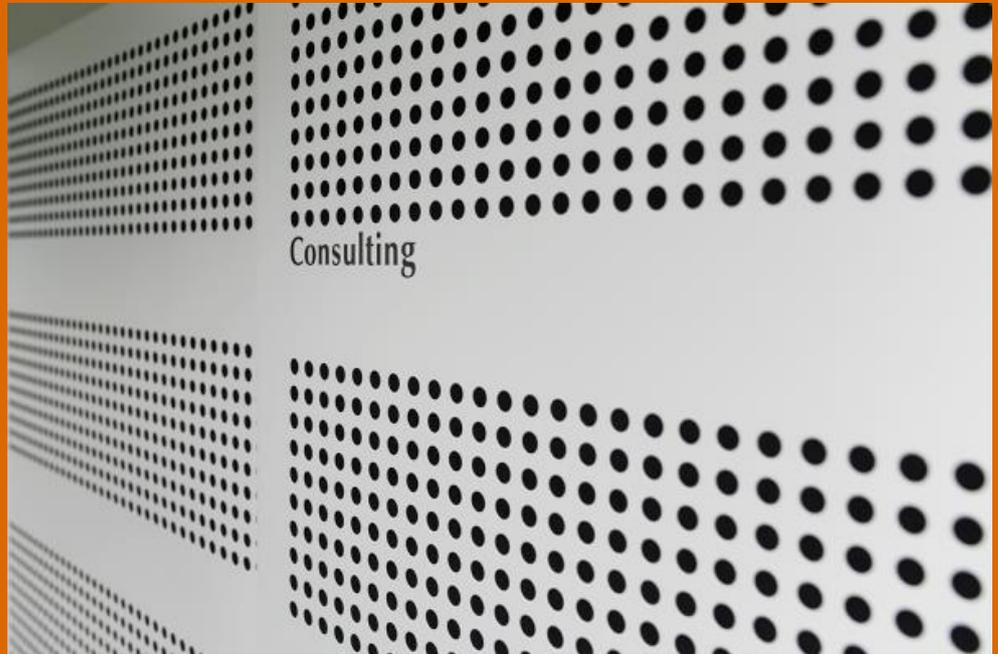
The Employment Agency then notifies the Ministry of Interior and the Ministry of Foreign Affairs. You will be required to return your Bulgarian ID card to the police department for cancellation.

2. Filing your tax return

The procedure for filing the tax return for the last year of your assignment is no different than the general procedure (please refer to section “Tax return submission and payment of tax” above).

Please note that the annual tax return for the tax year cannot be filed earlier than January of the following year, even if you leave the country earlier.

Other taxes



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1. Stock options/share schemes

Bulgarian tax legislation does not contain special rules on the tax treatment of stock options and share schemes. We would therefore recommend that you seek professional advice in each specific case.

2. Transfer tax

When you acquire real estate or a vehicle in Bulgaria you will have to pay a transfer tax determined by the municipality which ranges from 0.1% to 3% on the value of the property. Notary and registration fees also apply.

3. Property tax return

A property tax return should be filed within 2 months of acquiring real estate or some movable property (e.g. a car) in Bulgaria. The tax return should be filed with the tax office where the property is located or per your address registration (in cases of a car purchase).

4. Property tax and garbage collection fee

If you acquire real estate in Bulgaria, you would need to pay an annual real estate tax. It may vary between 0.01% and 0.45% of the tax value of the property. The tax value depends on the type of property, its location, size and other factors.

In addition to property tax, a garbage collection fee is due by owners of real estate. The municipality where the property is located determines the fees annually. The fee can be significant in some cities.

5. Vehicle tax

The tax is due by the owner of a car registered in Bulgaria. It is calculated according to the horsepower and year of production of the car.

The tax is payable to the local tax office as per your address registration.

6. Vignette Fee

You are required to buy a vignette sticker if you need to travel out of town. The value of the vignette varies depending on the type of vehicle and the period for which it is issued (day, week, month or year).

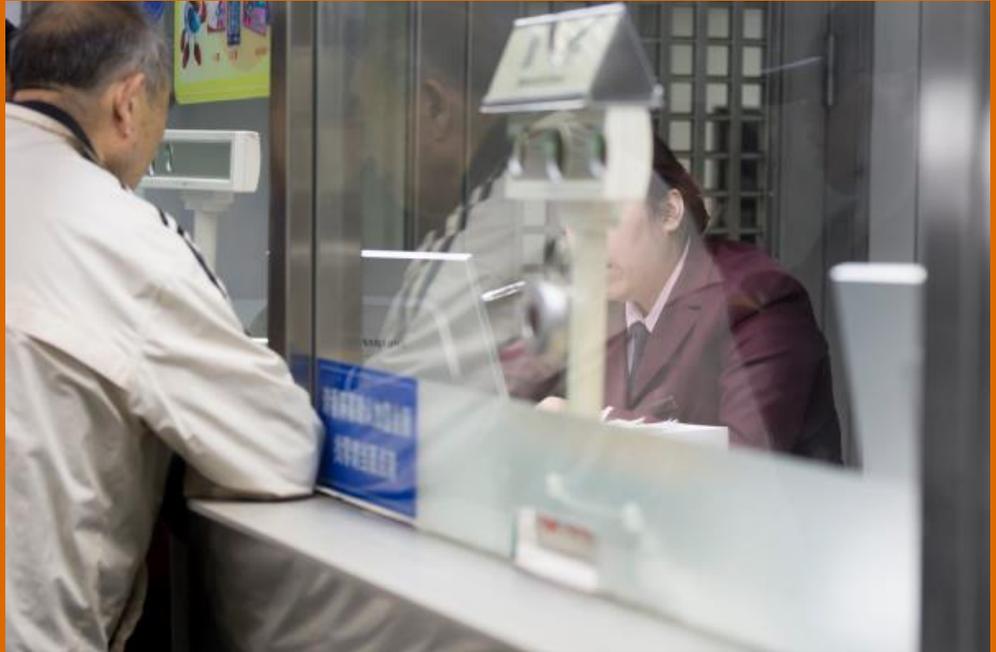
7. Highway Toll

For the time being no highway tolls are payable in Bulgaria.

8. VAT

The standard VAT rate is currently 20%.

Other procedures



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Exchanging your foreign currency

1. Currency board

The Bulgarian currency system operates under the conditions of a currency board. The Bulgarian Lev (BGN) is bound to the Euro. The official fixed exchange rate of the Bulgarian National Bank is:

EUR 1 = BGN 1.95583.

Retail transactions in Bulgaria are priced and carried out in BGN.

You can buy Leva in Bulgaria at each bank office, as well as at foreign exchange bureaus. It is much safer though to exchange foreign currency at a bank office. Most bank offices are open for clients from 8.30 a.m. until 5.00 p.m. on weekdays only.

It is also possible to obtain local currency using a debit or credit card at ATM (cash) machines.

2. Foreign exchange regulations

You can hold and operate bank accounts in Leva and in foreign currency without restrictions. However, under the current regulations the following points should be considered:

a) Bank transfer of foreign currency abroad

- For all bank transfers abroad you need to advise the bank of the grounds for the payment
- For transfers to and from another country of BGN 100,000 or more or its equivalent in foreign currency, you will need to fill in a standard statistical form at the transferring bank
- If you transfer more than BGN 30,000 (or its equivalent) from Bulgaria to a bank account abroad, you would need to provide the bank with certain documents proving the grounds on which the transfer or payment is being made.

b) Export and import of Bulgarian and foreign currency in cash to or from a member state of the European Union

- You can import and export Bulgarian and foreign currency up to EUR 10,000 without having to declare it to the Customs Authorities.
- Import and export of currency equal to or exceeding EUR 10,000 shall be declared upon request of the customs authorities.

c) Export and import of Bulgarian and foreign currency in cash to or from a third country

- If you would like to export currency exceeding BGN 30,000 or its equivalent in foreign currency, in addition to the requirements mentioned above, you must also provide a certificate issued by the Bulgarian revenue authorities that you do not have any outstanding tax liabilities.
- In case the exported currency exceeds the equivalent of BGN 30,000 but does not exceed the amount imported and declared upon entering Bulgaria, a foreign individual is required to declare only the type and amount of exported currency, its origin and purpose without the need for a tax certificate.

3. Driving licence

Once you receive a residence permit/certificate of residence, you can drive with your national driving licence for a period of 1 year as of entering the country.

After this 1-year period you can be issued a Bulgarian driving licence without having to pass a test, provided that the country where your driving licence was issued is party to the Road Traffic Convention (1949). Otherwise, you need to pass the Bulgarian driving licence test.

4. Importing goods and personal possessions

Generally, if you are an EU citizen you can ship your personal possessions to Bulgaria duty-free without having to follow burdensome customs formalities. No other permit or compliance procedures apply (except for certain excise goods).

Non-EU citizens moving to Bulgaria with the intention to establish their normal place of residence in the Community are allowed to import their personal property duty-free under certain conditions. The chief of the customs agency grants permission for such imports. Personal property imported duty-free by non-EU citizens should not be lent, sold or otherwise disposed of for the following 12 months (otherwise, customs duties should be paid).

Air and sea passengers arriving from a non-EU country are allowed to import non-commercial goods in their personal luggage up to EUR 430 duty-free and land passengers – up to EUR 300.

Consignments of goods with total value up to EUR 150 dispatched directly from a non-EU country to a Bulgarian consignee are also duty free (the threshold is EUR 45 if the consignments are sent between individuals free of charge).

Special quantity limits for duty-free import of tobacco and alcohol products apply at the EU level:

- 200 cigarettes for air passengers and 40 cigarettes for other passengers;
- a total of one litre of alcohol and alcoholic drinks with alcoholic content above 22 vol.% or non-denatured ethyl alcohol of 80 vol.% or more).
- a total of two litres of alcohol and alcoholic drinks with alcoholic content below 22 vol.%.

Imports of goods with a total value exceeding EUR 15 would be normally subject to 20% VAT.

5. Importing your car

a) EU ASSIGNEES

If you are an EU citizen you can import your car in Bulgaria duty-free without having to follow customs procedures (the car should have registration plates and registration documents issued in another EU country).

b) Non-EU ASSIGNEES

If you are a non-EU national, depending on your residence status, you can import your car, as follows:

i. Short-term residents

If you are going to stay in Bulgaria less than 3 months, you can temporarily import your car duty-free. The temporary import of the car will be registered in your passport.

ii. Long-term residents

If you are staying for a period longer than 3 months and fulfil an assignment of specific duration you can still temporarily import your car duty-free for the term of your assignment. You will need to present the registration certificate of the car, documents evidencing ownership, your Bulgarian ID card, driving licence, insurance policy and a customs declaration.

Persons moving their normal place of residence in the EU Community may import their car duty-free under the same conditions as provided for the personal possessions.

iii. Permanent residents

If you are moving permanently to Bulgaria and have a permanent residence permit, you can import your car duty-free provided you have been using the car for a period of at least 6 months prior to moving to Bulgaria, and the car will not be sold for a period of 24 months.

6. Exporting your personal possessions and car

a) EU assignees

EU citizens do not need to follow any customs formalities when exporting their car out of Bulgaria to another EU country.

b) Non-EU assignees

There are specific customs requirements and formalities for exporting your possessions and especially your car. We would recommend that you contact a specialised agency for professional advice and assistance.



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