

Tax & Legal Alert

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International assignment solutions

The Corporate Income Tax Act and the Personal Income Tax Act¹ recognize for tax purposes for 2008 donations up to certain limits made in favour of certain institutions and persons specified in these two laws and other legislation they refer to.



Tax issues related to donations

General rules

The overall limit on donations is set to 65 percent of the accounting profit of companies and 65 percent of the taxable base of individuals.

The donations should be supported by documents evidencing the following:

- the recipient is an institution or person who qualifies for tax recognised donations as per a list of categories in the two tax laws (see below a broad outline)
- the date of the donation, and
- the delivery of the goods, services or funds.

A donation will be disallowed where it benefits persons managing the organisations who make or receive it, or where there is evidence that the donation was not received.

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¹ Both in force as of 1 January 2008.

Tax allowed maximum amounts per recipients

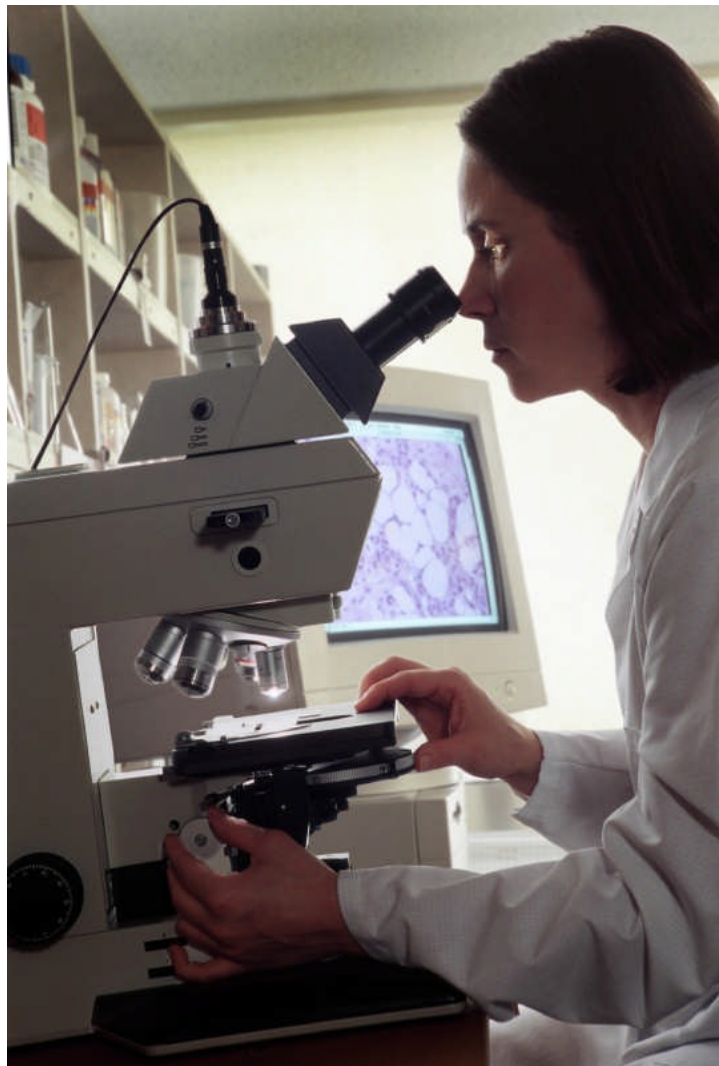
1. The largest amount the law recognises for tax purposes in favour of one institution is for the Fund for Medical Treatment of Children. This is a fund under the Ministry of Health established with an initial state grant. The accounting profit of companies and the taxable base of individuals can be reduced by up to 50 percent if a donation is made to this fund.

2. A lower limit is set for other donations. A deduction of up to 10 percent for companies and 5 percent for individuals in total is allowed for tax purposes where their donations are made to:

- Orphans (for companies) and orphanages (for companies and individuals)
- People with disabilities and special needs (for companies) and related organisations (for companies and for individuals)
- Medical facilities
- Kindergartens, schools, universities
- The Bulgarian Red Cross
- Not-for profit organisations
- Cultural institutions and other.

As of 2008 the tax deduction allowed for individuals for donations to people with disabilities and special needs is cancelled.

3. The full cost of new computers and peripheral equipment donated to Bulgarian schools is recognised for tax purposes.



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