

# Tax & Legal Alert

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## Direct taxes

### Amendments to LTFA

Some amendments to the Bulgarian Local Taxes and Fees Act (LTFA) will become effective as of 1 January 2009. One of the main purposes of the amendments is the approximation of the tax valuations of the real estates to their market values and the lowering of the rates of the local taxes. Another group of amendments aims at the elimination of the different tax treatment of Bulgarian persons and persons from the European Union and the European Economic Area.



## Summary of the main amendments to LTFA

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### Lowering of the ranges for the rates of the local taxes

The statutory ranges, within which every municipality is allowed to determine the rates of the local taxes, will be lowered compared to those of 2008. The new ranges are as follows:

- Real estate tax: 0.05% - 0.2%
- Donation tax for transactions between persons, who are not close relatives: 3.3% - 6.6%
- Transfer tax: 1.3% - 2.6%

### Increase in the tax valuation of buildings and agricultural land

The location coefficient for the buildings and the base tax value of the agricultural land are increased. This results in an increase in the tax valuation of the real estates, which in some hypotheses is the base for levying of the local taxes. Generally, the increase in the tax valuation is about 50%.

In accordance with these amendments the tax exempted threshold of tax valuation for a real estate is raised from BGN 1,680 to BGN 2,520.

### Equal tax treatment of persons and organisations from the European Union and the European Economic Area

As of 1 January 2009, the different tax treatment of persons and organisations from the European Union and the European Economic Area with respect to exemption from the real estate tax, the inheritance tax, the donation tax and the transfer tax is eliminated.

## Broadening of the scope of exemption regarding the acquisition of motor vehicles

In accordance with the amendments not only the acquisition of newly imported motor vehicles within the meaning of LTFA will be exempted from the transfer tax, but also the acquisition of all motor vehicles, which have not been registered in the country.

## Amendments to the statutory terms for the rates and the payment of the local taxes and fees for 2009

The rates for the tax on real estates, the inheritance tax and the transfer tax as well as the garbage collection fees will be determined by the municipal council by 31 January 2009.

The payment term for the first instalment of the real estate tax for 2009 will be from 1 March to 30 April.

Please address any queries for additional information or assistance to your usual PricewaterhouseCoopers contact or to the persons listed in the contact list.



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