

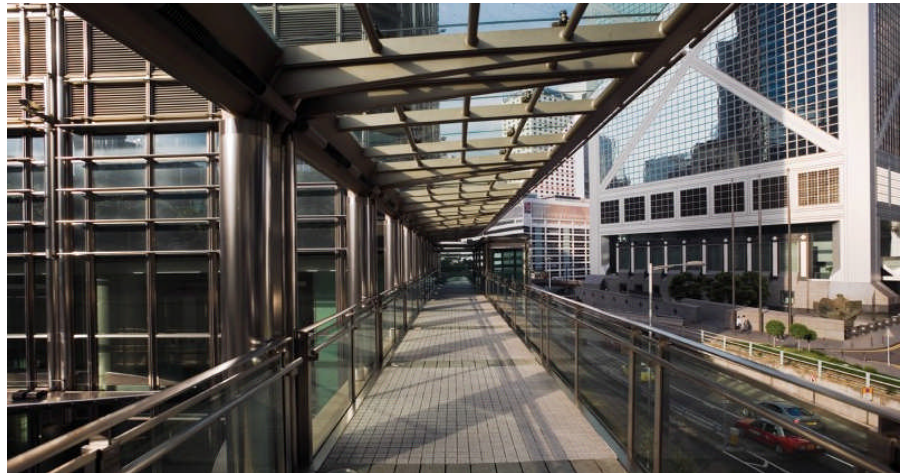
Tax & Legal Alert

Bulgaria • Issue 3 • 6 February 2008

Direct taxes

Amendments to LTFA

Certain amendments to the Bulgarian Local Taxes and Fees Act (LTFA) entered into force as of 1 January 2008. The main purpose of the amendments is to facilitate the fiscal decentralisation of the municipalities. There are no significant changes in the rules governing the scope of taxation and the tax liable persons.



Summary of the main amendments to LTFA

Contacts:

Irina Tsvetkova
Partner
E-mail: irina.tsvetkova@bg.pwc.com

Georgy Sarakostov
Director
E-mail: georgy.sarakostov@bg.pwc.com

Ginka Iskrova
Senior Manager
E-mail: ginka.iskrova@bg.pwc.com

Miroslav Marchev
Manager
E-mail: miroslav.marchev@bg.pwc.com

Orlin Hadjiiski
Manager
E-mail: orlin.hadjiiski@bg.pwc.com

PricewaterhouseCoopers
9-11 Maria Louisa Blvd., Sofia
Tel: + 359 2 91 003

www.pwc.com/bg

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Municipalities shall determine the rates of the local taxes on an annual basis

From 2008 each municipality has the power to determine the rates of the local taxes within the range stipulated in LTFA. The determination has to be done by the Municipal Council by 31 December in respect of the taxes for the following year (by 29 February 2008 for the rates, which shall be applicable in 2008).

Range of the rates of the local taxes

Generally, the minimum amount limit for the rates of local taxes is the rate, which was applicable in 2007, and the maximum amount limit is twice the rate for 2007. Some of the ranges which are applicable since the beginning of 2008 are as follows:

- Real estate tax: 0.15% - 0.3%
- Donation tax for transactions between non-spouses: 5% - 10%
- Transfer tax: 2% - 4%.

Possibility for exemption from local fees of legal entities

It is explicitly provided that legal entities could be also exempted partially or wholly from payment of local fees under conditions defined in the relevant Regulations adopted by the particular Municipal Council. Thus the treatment of individuals and legal entities could be equal.



The patent tax shall be governed by LTFA

The amendments provide that the patent tax shall be due to the municipal budgets. Accordingly, the legal regulation of the patent tax was transferred to LTFA.

The Municipal Councils are entitled to determine the exact amount of the patent tax due within the range set by LTFA. The persons liable for patent tax shall not owe personal income tax in respect of the income from an activity, which is taxed with patent tax.

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



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